OCTOBER 11, 1958

foreign trade

CANADA

MEXICO—THE COUNTRY AND THE MARKET (pages 2-39)

Established in 1904

foreign trade

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cover In Mexico City, political, industrial and commercial centre of the country, the buildings reflect Mexico's historic past and dynamic present. In the foreground, the Spanish-style Palacio de Bellas Artes, which houses a museum and a theatre. Behind it towers the 45-storey Latino-Americano building, where many business firms have offices. This picture introduces a survey of the Mexican market, prepared chiefly by the Commercial Section of the Canadian Embassy.

—Photo by G. Belanger, Mexico, D.F.

CANADA

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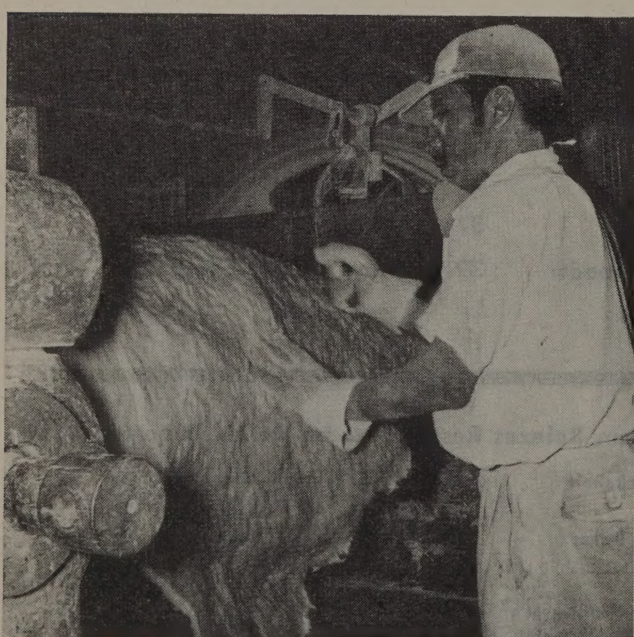

MEXICO

a survey of the countr
and the market

Mexico at a Glance

Size: *almost 3,000 miles long from corner to corner, with an area of 760 thousand square miles.*

Population: *approximately 32 million and growing by more than 3 per cent a year; about twice the population of Canada.*

Gross National Product: *now running at US$8 billion a year, only one-quarter that of Canada's, but increasing at an average of 6 per cent a year.*

Export/Import Values: *exports in 1957 worth US$706 million, imports US$1,155 million; difference largely made up by the tourist trade, with revenue estimated at US$361 million.*

Principal Trading Partners: *the United States, supplying about 70 per cent of Mexico's imports and buying about 65 per cent of her exports; West Germany, then Canada, with 1957 purchases of US$21.1 million from Mexico compared with sales of US$42.6 million to Mexico.*

Major Exports: *raw cotton and green coffee, at US$173 million and US$106 million respectively in 1957, lead US$51 million, copper US$37 million, and zinc US$36 million.*

Major Imports: *machinery and apparatus US$223 million, transportation materials US$112 million, spare parts for machinery and apparatus US$98 million, mineral fuels and lubricants US$70 million, cereal grains US$58 million, and spare parts for transportation material US$54 million. The unusually large grain imports were caused by a drought and are not typical.*

Manufacturing: *most consumer goods are now made domestically; best market possibilities are for raw materials and capital equipment.*

Agriculture: *production reduced last year by drought and storm, but self-sufficiency attained in most basic requirements; cotton, coffee, seasonal vegetables, citrus fruits, peanuts, flavourings, etc., exported regularly.*

Investments: *direct foreign investment US$1,200 million, of which the United States is source of US$940 million and Canada of US$162 million.*

Transportation: *good. Twice-weekly direct flights from Vancouver or Toronto, weekly sailings from East Coast ports to Veracruz or Tampico; deliveries in two weeks by highway transport and in less than three weeks by rail.*

Your Visit: *should be made soon. Takes nine hours by air, costs $99. You need passport and tourist card only, unless you undertake business or direct sales, when visa is required.*

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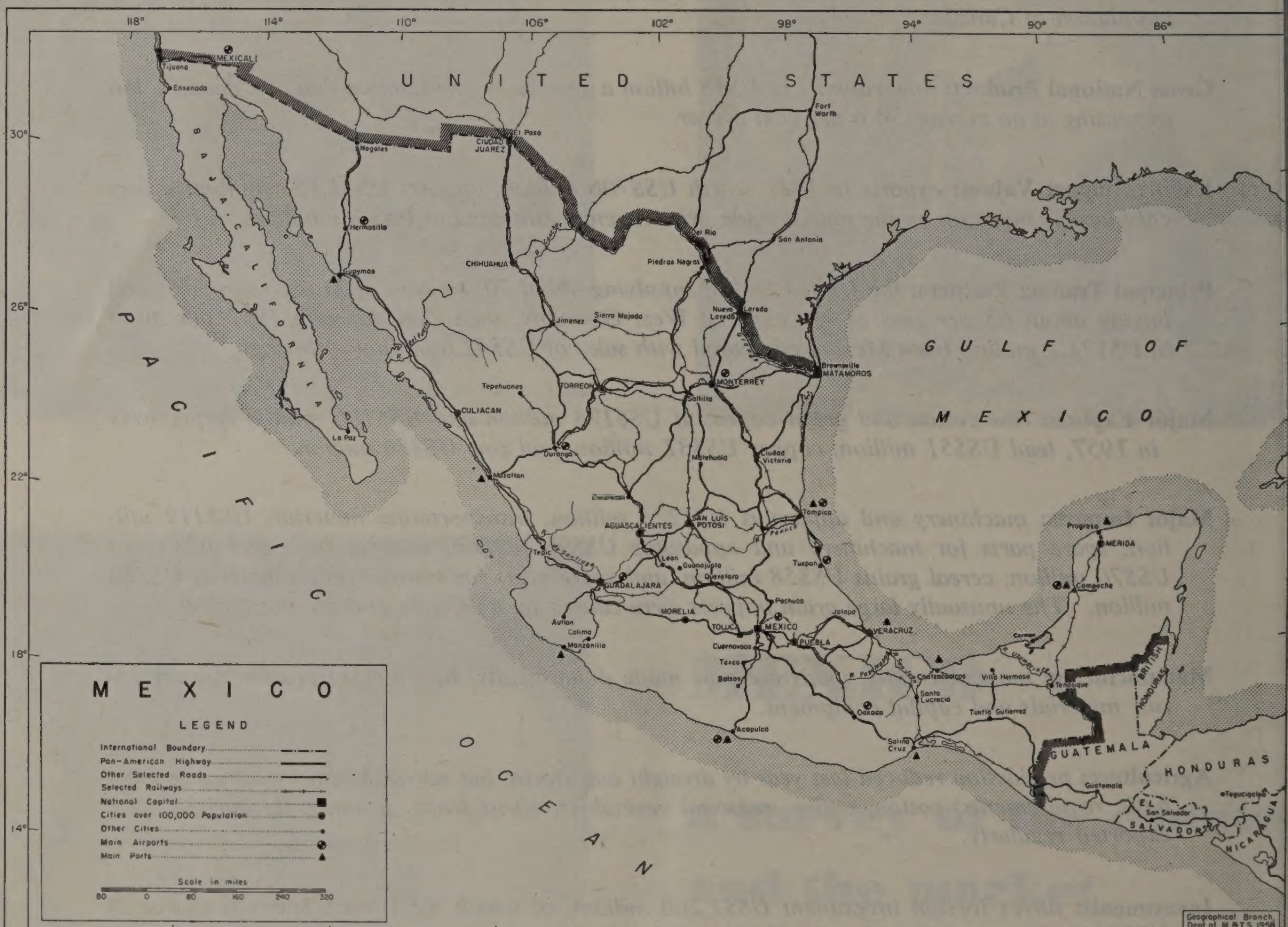
UNITED STATES
GULF OF MEXICO
PACIFIC OCEAN
BAJA CALIFORNIA
MEXICO
LEGEND
International Boundary
Pan-American Highway
Other Selected Roads
Selected Railways
National Capital
Cities over 100,000 Population
Other Cities
Main Airports
Main Ports
Scale in miles
80 0 80 160 240 320
MEXICALI
Tijuana
Ensenada
Nogales
El Paso
CIUDAD JUAREZ
Hermosillo
Guaymas
CHIHUAHUA
Del Rio
San Antonio
Fort Worth
Piedras Negras
Nuevo Laredo
Laredo
Brownsville
MATAMOROS
MONTERREY
Saltillo
TORREON
Sierra Mojada
Jimenez
Tepehuanes
CULIACAN
La Paz
Durango
Matehuala
Ciudad Victoria
Mazatlan
Zacatecas
SAN LUIS POTOSI
AGUASCALIENTES
Tampico
Tuxpan
Leon
Guanajuato
Queretaro
Tepic
GUADALAJARA
MORELIA
Pachuca
TOLUCA
MEXICO
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VERACRUZ
PUEBLA
Cuernavaca
Taxco
Autlan
Colima
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Balsas
Acapulco
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Coatzacoalcos
Santa Lucrecia
Villa Hermosa
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Geographical Branch, Dept of M.&T.S. 1958

Mexico Makes Spectacular Progress

ar-reaching development within Mexico in past ten years rests upon broad base f agriculture, mining and industry. Rapid expansion and inflow of capital bid fair o continue, making Mexico a market worth close study and cultivation.

. J. VAN TIGHEM,
ommercial Counsellor, Mexico, D.F.

EXICO has made solid progress in recent years and day boasts one of the strongest and most diversified onomies in the Western Hemisphere. The past ten ars in particular have seen rapid expansion. It is timated that between 1946 and 1956 the gross tional product increased in real terms at an annual te of 6 per cent. This is double the rate of popula- on growth—a ratio unmatched by Canada, the United ates, or any other Latin American country.

exico's economy does not depend solely on one or o commodities susceptible to fluctuations in price d demand. It is well balanced, resting traditionally on a solid base of agriculture and mining, but with dustry playing an increasingly important role. Govern- ent in recent years has been stable and through sound ancial policies and public investment has provided climate in which local business flourishes. It has also couraged an inflow of foreign capital. The develop- ent that has taken place in recent years is far- aching and may come as a surprise to many Canadian sinessmen unless they have visited Mexico recently.

rowth Has Been Rapid

study prepared by the United Nations Economic ommission for Latin America indicates that in the n years from 1946 to 1955 the rate of increase in l sectors of the Mexican economy, with the exception mining, was higher than that for Latin America as whole and comparable to that of the fastest growing onomies in other parts of the world. Output of ectric energy has increased by 10.1 per cent per year, troleum by 7.6, agriculture 7.2, commerce 6.2 and anufacturing 6.0.

xpansion has been greatest in industry. In the past e years alone, manufacturing production increased 7 per cent, generation of electric energy 75 per cent, d petroleum production 48 per cent. During the me period, agricultural production went up 28 per nt and mining 20 per cent.

exico is now at an intermediate stage in industrializa- on. She produces practically all the manufactured nsumer goods she needs (including the assembly of such durable consumer goods as automobiles, refrigerators and television sets), and a good portion of her capital goods.

The basic industries are growing the fastest. Between 1950 and 1956 the capacity of Mexican heavy industry more than doubled. During that period, though industry was not operating at full capacity, iron and steel output increased 92 per cent, cement and glass 100 per cent, chemicals and pharmaceuticals 110 per cent and machinery and tools 122 per cent.

Basic Factors in Economy

This rapid economic development has been made possible by a number of factors. Among these, the two most important are the variety of climatic conditions and the abundance of natural resources.

Mexico's location in both temperate and tropical zones, combined with great variations in altitude, has permitted an important diversification of agricultural production; such varied crops as bananas, sugar cane, wheat, cotton, coffee, pineapples, peanuts and tomatoes can be grown. It has both tropical and temperate hardwoods and conifers sufficient to supply most of its domestic requirements.

An important factor in development has been the extensive mineral resources. Mining was once the mainspring of the economy. Although it is declining in relative importance and now represents only 3 to 4 per cent of the national income, it is one of the most important sources of foreign exchange and accounts for approximately 23 per cent of the total value of exports.

The fishing industry is still in its infancy, but it will become increasingly important. One example is the progress shown by the shrimp industry, now a small but relatively important source of foreign exchange.

Mexico is fortunate in having important petroleum deposits adequate for its needs. The supply of petroleum products at low prices to the manufacturing and transportation industries to decrease industrial production costs is one of the Government's long-established aids to development.

The rapid growth of population is a definite factor in the Mexican advance. It is now 32 million and the

rate of increase of 3 per cent per year compared with the world average of 1.25 per cent ensures a steady and ample supply of labour. The economically active population has risen from 8.4 million persons in 1950 to 9.9 million in 1956, an increase of almost 19 per cent in six years.

The high rate of investment has also spurred progress; it has been running at close to 15 per cent of the gross national product in recent years. The high level of internal savings and investment has largely made this possible. Studies by the National Foreign Trade Bank show that 90 per cent of the total investment in Mexico is of domestic origin.

Government Policies Have Helped

The country has had over 25 years of stable government with sound monetary and fiscal policies. Without doubt, this has been one of the principal factors in the development of the economy. This period of stability has permitted the preparation and execution of long-term investment plans, has created confidence abroad and has encouraged an important inflow of private foreign capital and development loans.

The Government has played an active role in providing essential services to both agriculture and industry. These have included extensive road-building, rehabilitation of the railroads, heavy investment in the nationalized oil industry, construction of irrigation facilities, greater production of electricity, and direct investment in essential industries. The expenditure of public funds for this purpose has been running at between 5 and 6 per cent of the gross national product. Private investment has been encouraged through the government policy of granting subsidies and exemption from taxes to essential enterprises. Recently the income tax regulations were revised to provide an exemption on reinvested profits.

Foreign Trade

The needs of the expanding economy for capital goods and raw materials are growing year by year. The extent of this growth is reflected in the foreign trade statistics which show that between 1950 and 1957, Mexican imports increased from US$547.3 million to US$1,155.2 million. During the same period, Mexican exports climbed from US$482.7 to US$706.1 million.

This gap between exports and imports is a relatively new development which is linked directly to the industrial expansion of the country. As recently as 1939, imports amounted to only 69 per cent of the value of exports. Since 1950, imports have consistently exceeded exports. That this has not created serious balance-of-payments problems is due to the large inflow of foreign exchange from non-trade sources, principally foreign tourist expenditures in Mexico, remittances from Mexican workers in the United States, and foreign capital in the form of investments and loans. Last year, net receipts from the tourist trade amounted to US$361 million, offsetting 80 per cent of the unfavourable trade balance.

Mexico imports primarily industrial raw materials and capital goods; the following table establishes the pre-eminence of these two groups. The year 1956 has been taken for this purpose because the unusually heavy corn imports in 1957 distort the picture.

MEXICAN IMPORTS IN 1956

(millions of dollars)

Consumer goods	**Value**	**Per cent of total**
Foodstuffs	43.9	
Non-durables (medicinal products, textiles, sporting goods)	27.6	
Durables (automobiles, sewing machines, cameras, watches, radios, etc.)	95.6	
Total consumer goods	167.2	15.6
Raw and semi-processed materials		
Chemicals, fuel, lubricants, iron and steel products, tinplate, aluminum, rubber, tobacco, malt, newsprint, pulp, explosives, etc.	375.5	37.2
Capital goods		
Animals for breeding, seeds, etc.	11.1	
Construction materials	64.4	
Tools, accessories, spare parts	81.8	
Machinery, equipment and vehicles for:		
Agriculture	35.6	
Transportation and telecommunications	109.1	
Industry, commerce and other uses	192.6	
Total of capital goods	494.7	46.2

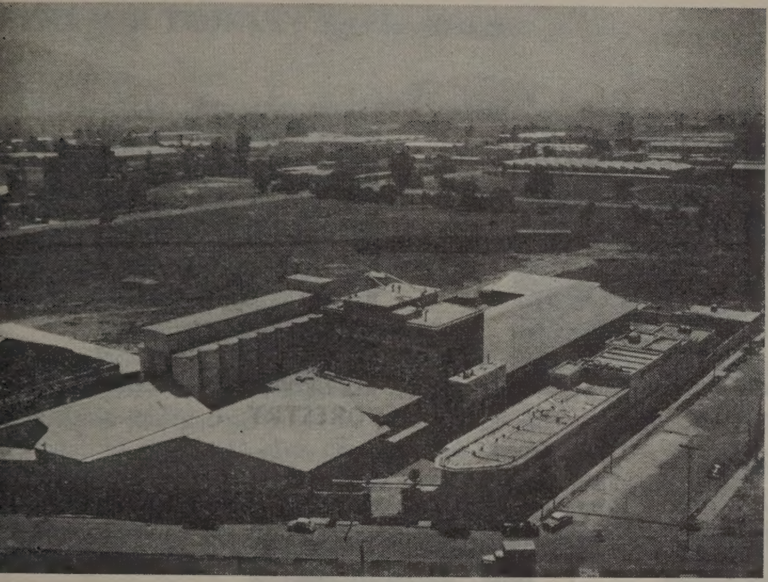
As the economy has developed, the composition of imports has changed. Before the war, consumer goods accounted for more than one-third of total imports. By 1956, they represented only 16 per cent. The steady rise in the value of capital goods and industrial raw materials imported in the period 1950-1956 and the increase in their relative importance is seen in the following table:

MEXICAN IMPORTS

(millions of dollars)

Year	Consumer Goods		Industrial Raw Materials and Capital Goods	
	Value	Percentage	Value	Percentage
1950	134.6	24.2	393.3	70.8
1952	192.9	23.9	566.4	70.1
1954	139.8	17.7	599.6	76.0
1956	167.2	15.6	870.2	81.2

Exports are diversified. Cotton, coffee, and minerals (lead, copper and zinc) are the most important, accounting for approximately 56 per cent of the total. However, there are a large number of other products



Large modern plants like this one, which turns out poultry and livestock feeds, reflect the rapid industrial advance. In the past five years alone, manufacturing output has gone up 47 per cent. The Government has encouraged industrial growth by providing essential services such as irrigation, roads and power development.

hat bring in important amounts of foreign exchange. The relative importance of the principal exports in 957 was as follows:

RINCIPAL PRODUCTS EXPORTED FROM MEXICO, 1957

(millions of dollars)

ommodity	Value	Per cent of total
aw cotton	173.0	24.5
reen coffee	106.1	15.0
letallic lead and concentrates	50.6	7.2
letallic copper and concentrates	36.6	5.2
letallic zinc and concentrates	35.7	5.1
etroleum fuel	31.9	4.5
hrimp	22.1	3.1
ılphur	21.9	3.1
ive cattle	18.1	2.6
omatoes	10.1	1.4
otal exports, including all products	706.1	

lost of Mexico's foreign trade is conducted with the Inited States, which in 1957 supplied 77 per cent of lexico's imports and purchased 64 per cent of her xports. Trade with Canada is growing. In 1957 'anadian exports to Mexico totalled $42.6 million nd our imports from Mexico $21.1 million. As a onsequence, Canada ranks third both as a source of ipply and as a market for Mexico.

alance of Payments

ince the last devaluation of 1954, which established ie peso's par value at 8 cents U.S., the combination f an expanding economy with its increasing sources f foreign exchange and the fiscal and investment polies of the Government have kept the country in good nancial condition. This is evident from the dollar serves which were reported at US$441.2 million on ecember 31, 1957. This represented a drop of US$27.8 million from December 31, 1956, but the fact that the loss was so small in a year of international recession, plus unusually large purchases of corn due to the poor growing season, is generally considered to prove the strength of the Mexican economy. The latest official figures show dollar reserves of $391.9 million at April 30, 1958. Although no official figures of current dollar reserves are available, unofficial calculations placed these at approximately US$310 million at June 30, 1958. This is a substantial drop from the year-end position but is not causing undue concern because it represents the usual seasonal downswing which precedes the movement of the main export crops.

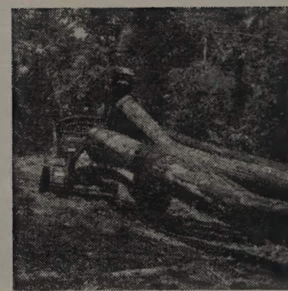
Mexico's satisfactory balance-of-payments position makes possible virtually complete freedom of exchange transactions. There are, however, import licensing requirements for many consumer goods. There are no delays in payment in dollars. At the same time, Mexico has become a preferred country for foreign investments and loans, both private and official.

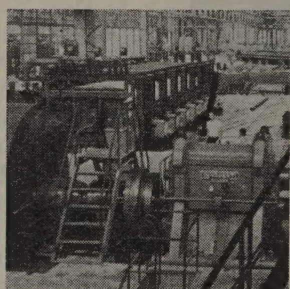
Future Expansion

The prospects for continued expansion appear good. Much will depend, of course, on the world market for Mexico's principal exports. Moreover, the degree to which monetary stability is achieved will have an important bearing on the inflow of foreign capital and the extent to which domestic savings are encouraged. Both of these are vital to sustained growth. However, competent observers are optimistic about these points, and the fact that the recent recession in the United States has had little effect here suggests that the economy is now sufficiently diversified to weather most economic storms. ●


AGRICULTURE


FISHING


FORESTRY


INVESTMENT


MANUFACTURING

MEXICO TODAY


MINING


TRANSPORTATION

Two-way trade with Canada grows, but pattern changes.

D. B. LAUGHTON,
Commercial Secretary, Mexico, D.F.

AGRICULTURE is one of the major forces in the Mexican economy. It employs 60 per cent of the population and accounts for 20 per cent of the gross national product. It also produces 40 per cent of total exports by value and thus is an important factor in the balance of payments. Mexico's farmers must meet the demand for an ever higher standard of living from a growing population and in addition provide the raw materials for new factories. It is not surprising that agriculture has received a great deal of aid, both direct and indirect, from the Government.

About 30 per cent of Mexico consists of arid or alpine deserts unsuitable for cultivation. The remainder grows a great variety of crops, ranging from citrus fruit and palms on the southern coastal estuaries to wheat, alfalfa and cotton on the irrigated plains of the north.

Government Assistance Given

Bulking large among the Government's direct assistance to agriculture are irrigation projects and over three million acres have been brought under irrigation since 1950. It is estimated that the usable runoff each year could irrigate a further 20 million acres if it were properly controlled and many new projects are under study. The two government agricultural banks have made farm credits totalling US$133 million available over the past five years for land improvement, well drilling, the purchase of livestock and equipment, and so on. A system of crop insurance has been set up under government auspices and in 1957, 650 thousand acres of farmland were covered by it.

The Government now operates 38 agricultural experimental stations, grows specially-adapted seed varieties on three government farms, and sponsors 39 artificial insemination centres, many stocked with Canadian dairy-type bulls. These services are taken for granted in Canada and the United States but they are still rare in most Latin American countries.

Indirect assistance has taken many forms. Road and rail services and electric power lines are being extended to rural areas as quickly as funds permit. Low-priced, long-term loans have been made available to firms undertaking to build proper storage warehouses or processing facilities for agricultural products. A government-sponsored company is manufacturing fertilizers on a large scale in several parts of the country. Finally, to ensure a strong domestic market, the Government has established fixed minimum prices for a number of products and has set up protective tariffs or import quotas to reduce foreign competition.

Production, Exports Rising

This government assistance and investment is achieving its purpose. Over the past six years the expenditure on imported foodstuffs has decreased by many millions and income from agricultural exports has risen by almost US$50 million per year.

The export values of Mexico's principal crops in 1957 compared with 1951 are shown below:

MEXICO'S PRINCIPAL AGRICULTURAL EXPORTS

Commodity	1957	1951
Cotton	US$108,070,000[1]	US$127,930,000
Coffee	98,670,000	46,280,000
Livestock	12,900,000	[2]
Melons	3,610,000	90,000
Peanuts	3,260,000	3,290,000
Tomatoes	3,180,000	3,290,000
Cocoa	2,220,000	950,000
Pineapple (fresh and canned)	2,191,000	2,208,000
Honey	1,860,000	220,000
Chicle	1,780,000	2,520,000
Henequen	1,650,000	260,000
Cottonseed meal	1,190,000	3,690,000
Vegetable resins	1,190,000	1,160,000
Vanilla	960,000	970,000
TOTAL, including other products	US$248,301,000	US$201,458,000

[1]Converted from pesos at the rate of 12.5 to the dollar in 1957 and at 8.65 in 1951.
[2]Livestock exports were prohibited during 1951 because of hoof and mouth disease.
Source: "Anuario Estadistico de Comercio Exterior", Govt. of Mexico.

Despite these successes, much remains to be done. The efficiency of Mexican agriculture needs to be further improved to release manpower for other purposes, and at the same time output must be increased. In achieving this goal, the Government is handicapped by the necessity of maintaining the policy inherited from revolutionary days of making more land available for use or purchase by the rural worker, even though this invariably leads to smaller output. Moreover, without vast irrigation installations and costly transportation

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Mexican agriculture has progressed remarkably, with government assistance and investment. The livestock development program has created opportunities for the sale of Canadian cattle, such as this purebred Holstein seen on a Mexican farm.

projects, not much arable land remains to be developed. A shortage of investment capital and a lack of education or agricultural know-how among many rural workers compounds the difficulties. Nevertheless, such marked progress has been made that it augurs well for the future.

Outlook for 1958 Good

Despite the over-all progress, agricultural production suffered in 1957 from hurricane damage in the coastal regions and severe drought in the central plains. As a result, the harvest of many crops, particularly corn and beans which are major items in the diet of low-income Mexican families, was smaller. The corn crop fell to 4.5 million tons from an expected 5 million and heavy imports of United States surplus stocks became necessary.

The report on the outlook for 1958 released by the Department of Agriculture in May was optimistic. Moisture conditions were excellent and good harvests predicted for four major crops—cotton, coffee, wheat and sugar. Prospects for corn and beans were also reassuring, although it was admittedly early for reliable forecasting. According to the latest estimate, cotton production should reach 2.3 million bales and the coffee crop should exceed 1.5 million sacks, slightly better than recent crop averages. Wheat is expected to hit a new high of 1.3 million tons, permitting the establishment of long-planned emergency reserves or possibly some exports. The 1957/58 sugar crop totalled 1.1 million tons, sufficient for domestic needs and to meet the 75,000-ton export quota under the International Sugar Agreement. The estimate for the 1958/59 harvest is a record 1.3 million tons and as a result, Mexican producers will probably ask to have their export quota increased to 150 thousand tons.

Livestock sales to the United States have been better than usual and the demand for early-season market-garden crops strong because of frosts in Florida. Unless the weather is extremely unkind or markets deteriorate unexpectedly, Mexico may well be heading for the largest gross agricultural income in its history.

Effect on Canada

Mexico's rapid agricultural development affects Canada as a purchaser of Mexican produce, as a competitor in world markets, and as a supplier of agricultural materials and equipment.

In recent years Canada has become one of the major buyers of Mexico's foodstuffs and agricultural raw materials. In 1957 we bought $17.7 million of primary or semi-processed farm products, some 83 per cent of our total purchases from that country. Six products account for nine-tenths of the business:

Raw cotton	Can.$4,698,800
Green coffee	3,398,900
Peanuts	3,055,400
Fresh tomatoes	2,625,900
Refined sugar	1,591,500
Canned pineapple	735,500

Source: Dominion Bureau of Statistics.

As the quality of Mexican market-garden products improves still further and better transportation is available, this trade should grow even larger. Already Canadian buyers are taking various types of melons, strawberries, onions, carrots, peas and cucumbers and are finding them competitive in both price and quality.

Mexican agricultural production is not a formidable competitor with Canadian production in world markets because farm output in the two countries tends to be complementary. There is a possibility that exportable surpluses of corn, wheat and oilseed products will eventually be seeking a share of the world market but the quantities are unlikely to be large.

Mexican agricultural development has, however, caused some loss of business in Canadian produce sales in that country. For example, at one time Canada regularly shipped large quantities of wheat, eggs, powdered milk, malting barley and malt to Mexico, but now the country is approaching self-sufficiency in all these products. However, these losses are more than offset by the increased sales opportunities for Canadian goods resulting from the demands of a prosperous, developing agriculture.

Canada has long been recognized as a reliable source for farm machinery and the major Canadian companies

re active in Mexico. Fertilizers and insecticides are eing manufactured domestically in ever larger quanities but imports are still required, particularly in the orthern states, and Canadian quotations are welcomed. Canadian varieties of seed such as alfalfa, oats and arley have been used on occasion and are still imported, although in small quantities. Canadian cattle, particularly Holstein-Friesians, are popular in Mexico and as many as 4,000 purebreds have been shipped in one year. Sales have slackened recently because of the more favourable credit terms being offered by United States exporters, but there is still a demand. •

IEXICO TODAY: Fishing

1s the market for fish improves, Canadian sales may rise.

. A. LOMAS,
ssistant Commercial Secretary, Mexico, D.F.

IEXICO'S fishing industry has never been a major ne, although its coastal waters are rich in marine life. ishing, in fact, accounts for less than 1 per cent of e national income. Nor has fish been a staple of e Mexican diet; the average per capita consumption f less than five pounds of fish a year is one of the west in Latin America.

Ione the less, fishing is regarded as an important ctivity for three reasons. The first is the substantial overnment revenues obtained from taxes on domestic nd foreign fishermen, the second the employment that shing provides in the coastal areas, and the third the elatively large amount of dollars earned by fisheries xports to the United States. In 1957, exports of fish roducts had an export processed value of almost IS$24 million; 90 per cent of these exports consisted f shrimp, and nearly all of this went to the United tates.

ishing Closely Controlled

he Federal Government, in which almost complete ontrol of the fisheries is vested, is making major fforts to exploit the marine resources. It supervises e industry carefully and constantly; commercial fishg can only be carried on with a government permit r concession and more than 50 per cent of the vestment in fisheries must be Mexican-controlled.

here is some reason for such restrictions. In the past e Government granted permits to foreign vessels s a means of raising revenue. Most of these went to .S. boats from California ports, fishing for tuna in acific waters off the Mexican coast. These American oats are still a major factor in the industry. In 1954, for example, 50 per cent of the total value of the catch was taken by U.S. vessels and landed at U.S. ports for processing and sale.

To promote local interest in the fisheries, the Government instituted six years ago a long-term program known as the "March to the Sea." The authorities have pushed port development, the improvement of communications between the coast and the interior, the drainage and settlement of some coastal lands, shipbuilding, and the development of a more modern navy, merchant marine and fishing fleet. It is estimated that during this period US$60 million has been spent on the program.

Important results have been obtained through the financing and the encouragement of fishing co-operatives. These have been granted many special privileges, including priority in obtaining fishing concessions, tax exemptions, and the reservation exclusively for co-operatives of the entire fishery for such remunerative species as spiny lobsters, oysters and shrimp. At present, about one-third of Mexico's 30,000 fishermen, belonging to some 150 co-operatives, account for more than half of the domestic catch.

The co-operatives have played a significant role in the modernization of the industry. Government funds made available through the co-operative bank and government institutions have been channelled to the fishermen through the co-operatives. This money has been used to improve boats, gear and processing facilities.

"March to the Sea" Succeeding

The greater interest in the fisheries and the initial success of the March to the Sea program is indicated by production figures on all fisheries products in recent years:

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—G. E. Belanger

Nets hang up to dry beside owners' dugouts on the beach at Acapulco. "March to the Sea" project, begun six years ago, is bringing results, as increasing catches prove; fish consumption remains small, partly because of poor internal distribution.

Year	Metric tons
1940	70,500
1950	148,000
1953	113,200
1954	116,000
1955	119,000
1956	170,000

Probably the most important government action for the development of the fishing industry was the 1939 legislation that prohibited the operation of foreign boats in the shrimp fishery. Since that time the shrimp fishery has led the industry not only in the value of the catch but also in the introduction of new techniques and equipment. At present shrimp production (1956 value=US$9.1 million) accounts for about 17 per cent of the total landings.

The principal catches during 1956 were:

Landings by Species, 1956

Species	English Equivalent	Quantity (tons)	Value* ($000's)
Atun	Yellow or bluefin	52,360	18,986
Barrilete	Skipjack	23,578	11,728
Camaron	Shrimp	21,000	9,120
Albacora	Albacore tuna	2,375	1,848
Others			8,908

*Value is landed value to fishermen. Other fish caught include mackerel, lobster, oysters, sardines, sea bass, sea trout, snappers, etc.

In reading the table, it is important to remember that about 50 per cent of the total catch-value was taken by foreign boats and carried direct to foreign ports for processing and sale.

The market for fish within Mexico has long been con ditioned by the serious lack of communication betwee the fishing centres and the large concentration of popu lation in the central highlands. Problems of distribu tion and handling have also contributed to high cos with the result that fish has generally been priced ou of the mass market. In consequence, imports of fis are also small.

SELECTED MEXICAN IMPORTS OF FISH—1957

(value in US$)

Type of Fish	Value of Total Imports	Value from Canada	Principa Supplie
Cod—smoked, salted or dried	268,652		Norway
Fish—preserved (canned)	217,364	6,200	Portuga
Sardines—preserved (canned)	183,543	13,286	Portuga
Fish—fresh, chilled or frozen (n.o.p.)	31,597		Denma
Salmon—preserved (canned)	18,427	8	U.S.
Herring—smoked, salted or dried	13,736		U.S.
Tuna—preserved (canned)	11,590		Portuga
Herring—preserved (canned)	8,556		Norway
Salmon—frozen	4,911	14	U.S.
Salmon—smoked, salted or dried	3,883	21	U.S.
Salmon—fresh or chilled	3,356	32	U.S.
TOTAL	765,615	19,561	
Other edible fish products	174,256	9	
Fishmeal	421,412		U.S.
GRAND TOTAL	1,361,283	19,571	

Source: Anuario Estadistico de Comercio Exterior—1957.

According to Canadian statistics, imports of fishery produc from Canada amount to only Can.$14,140.

It should not be assumed, however, that the marke will remain restricted. At present Mexico suffers fror a national nutrition problem which includes genera shortages of some basic foodstuffs and an insufficienc of high-protein foods. More and more, official atten tion is being given to the fisheries as a means of fillin these needs and it seems likely that more efficien production, improvements in transportation, and bette distribution facilities will lead to lower prices, wide availability and greater consumption of fish.

Canadian Opportunities

In such a situation, opportunities should develop fo larger sales of Canadian fish. At present Canadia sales, limited to small quantities of salmon and canne sardines, amount to only about 1.4 per cent of tota imports. It should be possible to increase this percent age and there appear to be markets for the following

Skinless and boneless salt cod fillets—About 800 thou sand pounds worth US$270 thousand were importe during 1957, almost all from Norway. Local buyer would like to receive quotations from Canadian sup pliers but stress that these must be for fish comparabl

n quality to the Norwegian product. Although there is ;ome market for half-kilo and kilo packages (roughly one and two pounds) principal demand is for skinless and boneless fillets averaging 35 to 40 inches in length, packed in 40-pound flat wooden boxes. The fish must be clean, of good quality, and uniform in colour and ize.

'resh frozen fish—Some tentative steps are being taken oward the distribution and sale of frozen fish. Already ome frozen cod and haddock fillets and frozen scallops narked "Product of Canada" are being sold in Mexico. So far, these have been imported through Texas wholealers but there is some interest among dealers in obtaining quotations direct from Canada if transportaion problems can be solved.

Canned fish—Although Mexican regulations tend to estrict the import of canned fish, many foreign prodicts are being sold here. Inquiries have been received during recent months for Canadian canned salmon and canned lobster.

Fishmeal—Improved agricultural techniques call for scientifically balanced livestock and poultry feeds and the growing stock-feed industry is interested in obtaining quotations on Canadian fishmeal. Current supplies are coming from local fish-processing plants and from South America.

It appears that fish will eventually form a more important part of the Mexican diet and although the domestic fishing industry will increase its exploitation of Mexican marine resources, opportunities for a larger volume of imports should develop. Even now, with geographical and production advantages and a wide reputation as a major fish exporter, Canada should be able to claim a larger share of imports. Canadian firms should explore the market to ensure a place for themselves in its eventual expansion. •

MEXICO TODAY: Forestry

Domestic output fostered, but some lumber still imported.

A. A. LOMAS,
Assistant Commercial Secretary, Mexico, D.F.

MEXICO'S extensive forest reserves provide the basis or an important lumbering industry, able to supply nost domestic requirements. Government regulations ssist the local producer at the expense of imports, with he result that last year Mexico purchased abroad only JS$11.6 million worth of forest products (exclusive of paper). Although the market is small, Canadian uppliers should be able to obtain a larger share of it.

The Mexican forests include a wide variety of temperate nd tropical hardwoods and softwoods. The softwood tands, dominated by pine, are mainly in the mounainous regions extending from Baja California to Chiapas; the hardwood forests are located in the tropial regions of southern Mexico, where mahogany and ed cedar are the chief commercial varieties.

According to recent estimates, Mexico has about 65 nillion acres of forest covering some 20 per cent of ts total land area. The stands are distributed 60 per ent in the tropics, 15 per cent in the semi-tropics, 17 per cent in temperate regions, and 8 per cent in the cold, high-altitude areas. Only about 10 million acres are being worked at present.

Conservation a Problem

The most pressing forestry problem is conservation. Some authorities estimate that at one time as much as 60 per cent of Mexico was forested but centuries of heedless exploitation have reduced this to the present figure. Overcutting began even before the Spanish conquest. Until recently, charcoal was virtually the only household fuel used in most of Mexico and the Government has had great difficulty in curbing the wasteful practices involved in charcoal-making. The introduction of electricity, bottled gas and liquid petroleum fuels has had some success, but there is still an urgent need for a cheap, smokeless solid fuel (such as coal briquettes) to replace charcoal.

With diminishing forest reserves came the supplementary problem of land erosion. To remedy the situation, the Government in 1947 acted to establish a necessary control over the national forests by the passage of the Forestry Law. Regulations now make it necessary to obtain a government permit before doing any cutting. These permits are granted only to Mexi-

can citizens or to Mexican companies domiciled within the country and permit-holders are required to observe strict government regulations. An important feature of the law is the power given to the President to establish special Industrial Units—private companies which have quasi-public utility status. These units receive timber concessions for the purpose of supplying raw materials to industry. Despite this legislation, it is proving difficult to gain effective control over the forests and it has recently been estimated that the timber cut by illegal loggers amounts to almost one-third of that taken by legal operations.

Much progress is being made, however, particularly in reforestation.

Domestic Production Important

Mexico's primary forest production (apart from pulp and paper) is now worth about US$50 million a year on an investment amounting to US$200 million. In 1956 the principal products were:

VALUE OF MEXICAN FORESTRY PRODUCTION—1956

Product	Value (000's US$)
Boards and planks	23,262
Logs	4,576
Railroad ties	3,414
Firewood	3,403
Strips of wood	1,427
Planed lumber	1,212
Packing boxes	992
Pilings	368
Squares	328
Handles	143
Mouldings	64
Others (including resins, chicle, hard fibres, etc.)	12,727
TOTAL	$51,916

Of this total, representing an increase of almost 10 per cent over the 1955 figures, 56 per cent was sawn lumber, over one-third of it pine, generally in the form of rough boards, timbers and railroad ties.

Sawmills are now required by law to devote a certain portion of total production to railroad ties as a means of avoiding larger imports. The law also directs that all ties be creosoted, which trebles their normal life. Despite increasing production, recent large-scale railroad rehabilitation programs called for great quantities of ties, many of which had to be imported. From 1954 to 1956 these imports amounted to almost 100 thousand tons worth US$6.5 million.

Current Demand Slackens

Recently there has been a slackening of demand for lumber because of smaller government needs and the introduction of new construction techniques requiring less timber. The result has been some over-production and over-supply and prices have weakened. This dro[p] has come after a long period of inflated prices an[d] although it is probably a normal adjustment, it ha[s] made the Mexican market very competitive.

In the tropical parts of southern Mexico, mahogany tree[s] flourish and furnish logs like these for various uses. Cen[-]turies of over-cutting have depleted the timber supply i[n] many parts of the country and conservation is now stresse[d].

Sawmilling and Woodworking

Most of Mexico's logging and lumbering establishment[s] are small and poorly equipped; there is much materia[l] wastage and it is estimated that some operations us[e] only about 40 per cent of log input. Encouraged b[y] the conservation movement, however, some of th[e] larger mills, particularly in the north, are employin[g] better methods and are reported to have succeeded i[n] reducing wastage to between 15 and 30 per cent.

Like sawmilling, the woodworking industry is base[d] on small operating units dispersed throughout th[e] country. Furniture is probably their most importan[t] product and a wide variety is made, including muc[h] cabinetwork for radio and television receivers. Ther[e] are some large and well-equipped furniture factorie[s] in Mexico City and Monterrey and an export trad[e] is developing based on attractively designed palm[,] mahogany pieces and interpretations of Scandinavia[n] modern furniture. In view of the present trend towar[d] over-production of lumber, it seems likely that effort[s] will be directed toward expansion of the woodworkin[g] industry as a domestic market for native woods. On[e] result will probably be further limitations on importe[d] wooden manufactures. During 1957 alone, 101 ne[w] woodworking plants, with a capital value of US$4.[...] million, were established.

Currently the plywood industry is expanding but production is unable to keep pace with growing demand. Principal products are veneers and plywoods of pine, cedar, mahogany and white tropical woods. Plywood manufacture is an important aspect of the trend to better wood utilization.

Mexico a Net Importer

Despite such developments, Mexico is still a net importer of forest products:

IMPORTS AND EXPORTS OF FOREST PRODUCTS—1957*

Product	Value (US$)
Imports	
Logs, lumber, etc.	2,370,000
Wood manufactures	1,282,000
Wood pulp	7,962,000
Total	11,614,000
Exports	
Logs, lumber, etc.	2,084,000
Wood manufactures	2,777,000
Wood pulp	1,658,000
Total	6,519,000
Net imports of forest products	5,095,000

*Excluding paper and imports into free zones.

In implementing its conservation program, the Government has imposed strict controls on exports of forest products. These regulations are designed to encourage domestic manufacture of finished wood products by ensuring adequate supplies of raw materials. Export quotas have been progressively reduced, particularly for cabinet woods, and the export of logs is virtually prohibited. Similar controls have been placed on some imports to protect domestic industry.

Certain varieties and sizes of timber and lumber, including poles, pilings, and some softwood construction lumber, are not readily available in Mexico and all of these are being imported to a limited extent. Large volumes of railroad ties were purchased from the United States during the railroad rehabilitation program but these imports have now fallen off sharply and, in view of increasing domestic production, will probably not rise again to the 1956-1957 levels. The principal lumber and timber imports during 1957 were:

Selected Imports of Logs, Lumber, etc. 1957

Product	Value (US$)	Major supplier
Posts more than 4 meters long	655,000	U.S.
Common timber—pine and fir	652,000	U.S.
Common timber—not specified	410,000	U.S.
Common logs	203,000	U.S.
Railroad ties—not creosoted	96,000	U.S.
Firewood logs	83,000	Colombia
Railroad ties—creosoted	72,000	U.S.
Others	199,000*	U.S.
TOTAL	2,370,000	

*Canada supplied $6,894 worth in this category.

Imports of manufactured wooden products in 1957 were:

Selected Imports of Wooden Manufactures—1957

Product	Value (US$)	Value from Canada. (US$)	Major supplier
Pulpboard	425,000	307	U.S.
Small boards of juniper	285,000		U.S.
Wood cut to dimensions	151,000		U.S.
Wooden toothpicks	87,000		Japan
Wood manufactures—unspecified	52,000	755	Guatemala
Cases and crates of wood	47,000	50	U.S.
Spools for winding thread	47,000	46,639	Canada
Hoops, staves, etc.	47,000	1,788	U.S.
Plywood and veneers	45,000		U.S.
Barrels, hogsheads, etc.	43,000		U.S.
Others	53,000		
TOTAL	1,282,000		

Opportunities for Canadian Suppliers

At present, imports from Canada form an unusually small part of the total, 90 per cent of which comes from the United States. Although the market is limited, Canadian exporters should investigate it carefully. Deserving of particular attention is the fast-growing northwest, where ocean shipping facilities from British Columbia could make Canadian lumber competitive with U.S. In this region there is a large free zone into which imports can be made without paying duties. (See the article on page 38 for a table of imports of forest products into this free zone.)

Most imports now come through wholesalers in Los Angeles or San Diego, California. A deep-sea port is currently under construction at Ensenada, Baja California, however, and this should be able to handle direct ocean shipments in about a year's time. Even now there appears to be enough volume to warrant carload shipments and there is considerable interest in obtaining supplies from Canada, provided the price advantage is large enough to minimize the convenience of ordering small quantities from nearby wholesalers.

Machinery and Equipment

Although there are no figures to indicate the volume of imports, it is reported that substantial quantities of equipment are being purchased abroad for the Mexican forest industry. United States suppliers dominate this trade, mainly because during World War II U.S. interests helped to promote and finance the industry's expansion and U.S. equipment has been accepted as the standard. Nevertheless, Canadian manufacturers of logging, lumbering, sawmilling and woodworking machinery should look into this growing market for capital equipment. ●

Foreign capital welcomed; Canada comes second as source.

C. J. VAN TIGHEM,
Commercial Counsellor, Mexico, D.F.

THE progress of the Mexican economy in recent years is linked directly to the high rate of investment, estimated at 15 per cent of the national income in the past ten years. Although the money invested has been primarily Mexican, direct foreign investment—about 11.3 per cent of the total investment in 1957—has played an important part. Statistics released by the Bank of Mexico show that the value of direct foreign investment in Mexico at the end of 1957 totalled slightly more than US$1,200 million. These same statistics show that this inflow of capital has increased by US$471.5 million (65 per cent) in the past six years.

U.S. Is Leading Source

The United States, with 78.4 per cent of the total, is by far the most important source of private capital invested in Mexico. The proximity of the American investor gives him a better knowledge of investment conditions and opportunities in Mexico and has undoubtedly had an important bearing on this. In fact, the United States is not only the principal investor but is increasing in relative importance at the same time that Canada's, Sweden's and Britain's shares are declining.

SOURCES OF DIRECT FOREIGN INVESTMENT IN MEXICO

Country	1939	1948	1957	
			Total amount invested	
	per cent	per cent	(million dollars)	per cent
United States	60.2	71.8	940.5	78.4
Canada	25.4	15.8	161.9	13.5
Sweden	5.2	5.1	12.1	1.0
United Kingdom	7.0	4.9	51.4	4.3
*Others	2.2	2.4	34.1	2.8
	100.0	100.0	1,200.0	100.0

*Includes Germany, Argentina, Cuba, France, Italy, Holland, Brazil, Denmark and Belgium.
Source: Bank of Mexico annual reports.

Limits on Type of Investment

There are no limitations on investment by foreigners, with the exception of a few specific activities, listed in the next column.

- *Petroleum*—this is a nationalized industry and is closed to private capital, Mexican and foreign alike.

- *Agriculture*—the Agrarian Reform Laws limit land holdings, with few exceptions, to a maximum of 300 hectares (741.3 acres).

- *Lumbering*—concessions are available only to Mexicans and companies organized in Mexico.

- *Land*—foreigners may not acquire ownership of lands and waters within 100 kilometers (62 miles) of land borders and 50 kilometers (31 miles) of the seacoast.

In addition, there are a number of types of business where at least 51 per cent of the ownership and the majority of the directors or partners must be Mexican. This requirement applies only to radio broadcasting; production, distribution and exhibition of motion pictures; maritime, air and land transport services, whether urban or interurban; fishing and fish hatcheries; advertising and publishing; production, purchase, sale and distribution of aerated and non-aerated beverages and of essences, concentrates and syrups used in their manufacture, including the bottling of juices; production and distribution of rubber products (this applies only to companies established since 1953).

All foreigners and Mexican companies with foreign partners and shareholders, before engaging in any activity in manufacturing, agriculture, stock-raising, forest exploitation, and the purchase, sale and exploitation of rural or urban real estate must first secure permission from the Mexican Ministry of Foreign Relations. In theory, the Ministry could require that the companies be 51 per cent Mexican-owned. In practice, it requires this only in the specific activities just listed.

Change in Type of Investment

Over the course of the years, there has been a shift in the type of activity that has attracted private investment. Manufacturing, which ranked a poor fourth in 1939, is now the most important, replacing utilities which have dropped into second place. Commerce has registered a similar increase in relative importance and has now replaced mining, which has slipped to fourth place.

The outstanding drop has been in transport and communications, which fell from second place to fifth

The changes in the past twenty years are clearly seen n the following table:

DIRECT FOREIGN INVESTMENT BY ACTIVITIES

(in percentage)

ctivity	1939	1948	1957
griculture	.7	1.0	1.7
Iining and smelting	26.3	24.7	17.6
etroleum and petroleum products	.2	.5	1.5
Ianufacturing	6.1	21.7	34.4
onstruction	.	.3	1.4
lectricity	32.4	22.2	19.2
ommerce	3.0	10.4	18.2
ransportation and communications	30.9	18.6	5.3
Iiscellaneous	.3	.5	.7

ndustrial Investment Encouraged

he Government, which is interested in promoting ndustry, has actively encouraged investment in manuacturing. In 1955 it put into effect the "Law for the Development of New and Necessary Industries". This ermits the granting of tax exemptions or reductions or periods of five, seven or ten years to the following ypes of industries:

. The manufacture or production of goods not prouced in the country.

. The manufacture of goods not produced in the ountry in sufficient quantity to meet domestic needs.

. Industries "providing services for economically mportant activities".

his plant turning out steel pipe and tubing was built in eracruz recently, using Mexican and Italian capital combined. oreign investment is welcomed in Mexico and the investor is rotected by legislation against the risk of expropriation.

4. Assembly operations, provided Mexican-produced parts represent at least 60 per cent of the product's direct cost.

5. Industries exporting their own finished or semifinished manufactures, provided at least 60 per cent of the direct production cost of such products represents Mexican manufacture.

The exemptions or reductions apply to import duties and surcharges thereon, stamp taxes, gross receipts tax, and the normal income tax on industrial profits (maximum reduction 40 per cent). Although this legislation was designed primarily to encouarge investment of domestic capital, foreign capital can also qualify and this undoubtedly has been one of the factors in the heavy concentration of private foreign capital in manufacturing.

Another factor which has encouraged private foreign capital to enter Mexico is the absence of exchange controls. There are no restrictions on exchange convertibility and interest, dividends and capital may be taken freely from the country at any time. This policy is not expected to change in the near future.

Contributing Factors

Investment in industrial activities has been attracted by the knowledge that there are ample supplies of labour at moderate wage rates in most parts of the country. Skilled labour is hard to locate, but qualified observers report that with proper supervision, unskilled workers can be quickly trained.

Another factor in the inflow of private foreign capital is Mexico's social and political stability. This, coupled with good government administrative practices, has made the country attractive to foreign investors.

Position of the Foreign Investor

The Mexican Government welcomes foreign capital and, with the limitations already outlined, grants aliens the same rights of ownership as Mexicans. At the same time, no privileges over domestic capital are granted to the foreign investor, who must agree to abide by the laws of Mexico and forgo diplomatic intervention in any disputes that may arise over ownership of land or concessions.

Private property, whether it belongs to aliens or Mexicans, cannot be expropriated, according to Article 7 of the Mexican Constitution, "except for reasons of public utility and with compensation". Although in the past there was some question about the method of expropriation and the amount of indemnification, the record of payment for nationalized industries has been considered satisfactory. It is generally conceded that the risk of expropriation is slight.

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Devaluation is a risk that foreign investors have to bear in mind. Mexico has experienced two devaluations in the past ten years. In 1948-1949, the exchange rate was changed from $4.85 pesos to $8.65 pesos per U.S. dollar (a 77 per cent devaluation) and in 1954 from $8.65 to $12.50 pesos per U.S. dollar (a devaluation of 44 per cent). In spite of this, the pace of private foreign capital investment has not slackened. Since the last devaluation of 1954 there has been an inflow of $365.8 million, an increase of private foreign investment in Mexico of 44 per cent. Some 95 per cent of this amount went into manufacturing and this suggests not only confidence in the strength of the economy but also the belief that the rate of profit in this type of investment is sufficiently high to compensate for the risk of devaluation.

Canadian Investment in Manufacturing?

Although Canada ranks second to the United States as an investor in Mexico, this investment is primarily in public utilities; in manufacturing, the Canadian industrialist ranks far behind his United States and European counterparts. With the continuing policy of protection and encouragement for local manufacture, the time has probably arrived for Canadian manufacturers to consider investing in Mexico if they wish to maintain or establish their products in this market. ●

MEXICO TODAY: Manufacturing

Growing industry needs capital goods and raw materials.

C. J. VAN TIGHEM,
Commercial Counsellor, Mexico, D.F.

MANUFACTURING is a relatively recent development in Mexico. Although some consumer goods were produced before the last war, 1940 marked the beginning of industrial production as an important factor in the economy. Manufacturing is now the third largest employer of labour and the second most important contributor to the national income. In fact, the progress in manufacturing in the past 18 years is one of Mexico's outstanding achievements. It has created an important market for capital goods and industrial raw materials and is a development of more than passing interest to Canadian manufacturers and exporters.

WORKERS ENGAGED IN MANUFACTURING, 1956

Industry	No. of Workers
Cotton spinning and textile manufacture	32,640
Sugar	18,550
Iron and steel	10,028
Beer	8,101
Glass	6,073
Cigars and cigarettes	6,042
Cement	5,588
Woollen spinning and textile manufacture	5,352
Stockings and socks	4,337
Canned foods	4,163
Pulp and paper	4,010
Rubber products	3,084
*Total, including all other industries	132,152

*Such as matches, salt, vegetable oils and fats, soaps and detergents, flour milling, alcohol, shoes, biscuits, etc., clothing, artificial fibres, furniture.

The statistical department of the Ministry of Economy lists the number of workers engaged in manufacturing and this gives the best idea of its extent and diversification in Mexico. It also serves to indicate the relative importance of the different fields of manufacturing. (See table on the left.)

Indicators of Industrial Capacity

Modern industry cannot exist without adequate supplies of iron and steel and electric power, and they are useful yardsticks for measuring industrial growth. The statistics showing the growth of these two industries point up the tremendous increase in the industrial capacity of Mexico in recent years. Installed capacity totalled only 600 thousand kilowatts in 1937; by 1953, it had risen to 1.7 million kw. and by 1957 to 2.3 million. Power generated has increased from 2,480 million kwh. in 1937 to 5,702.8 million in 1953 and 8,400 million in 1957. A similar story of rapid growth is shown by the statistics of pig iron and steel ingot production.

Year	Pig Iron	Steel ingots
	(in metric tons)	
1940	92,140	147,435
1950	227,432	390,070
1956	408,309	878,892
1957	429,000	1,049,500

A group of Mexican workmen are spinning lamp reflectors from aluminum disks. As domestic industry expands, the demand for imported raw materials increases; last year, for example, Canada sold US$2.8 million worth of primary aluminum to Mexico.

—Diaz Molina

In spite of the tremendous growth, steel output is still not adequate and covers only approximately 70 per cent of requirements. Sizable imports are necessary.

Growth Is Rapid

For all practical purposes, the start of the Second World War marked the beginning of the industrial boom in Mexico. The absence of traditional foreign suppliers from the domestic market provided the opportunity for local industry to demonstrate what it could do. It passed the test successfully and has never looked back. The market originally provided by disturbed wartime conditions has been assured in the postwar years through protective measures imposed by the Government. Since the end of the war industrial production has increased more than 78 per cent, with more than half of this growth taking place since 1954. Last year saw an expansion of 7 per cent.

This increase has not been uniform. In general, the capital goods and heavy industries have been expanding faster than the consumer goods industries. Between 1954 and 1957, the production goods sector expanded by 61 per cent but the consumer goods sector by only 10 per cent. This reflects the effort to develop a broader industrial base and also the low purchasing power of a wide segment of the population which has limited Mexico's ability to absorb the growing output of consumer goods.

The expansion of industry is continuing: in the past three years, 1,169 new companies have been established to engage in industrial activities. Most of these were small or of medium size, as evidenced by the fact that the initial paid-in capital totalled US$79.5 million, giving an average initial capital investment of US$68,000. However, 59 of the 419 new industrial enterprises established in 1957 had a capital of more than US$400 thousand each.

Mexico has reached an intermediate stage in her industrialization; she produces most of her requirements of manufactured consumer goods and a good portion of her capital goods. A description of recent developments in some of the more important manufacturing fields is given below:

Chemicals—One of the largest and most important industries, consisting of over 800 firms, a capital investment of US$225 million, and annual sales of more than US$160 million. Production is unable to meet domestic requirements and sizable imports are necessary—US$104 million in 1955, US$132 million in 1956 and US$133.5 million in 1957. Activity is centered on six main groups—sulphuric acid, caustic soda, synthetic fibres, coal tar derivatives, ethyl alcohol and fertilizers.

Electrical Apparatus—The market for domestic appliances is practically satisfied by local manufacture and imports amounted to only slightly more than US$2.2 million in 1956. Electrical equipment for industrial use is still imported in large quantities. Imports of completely assembled electrical equipment in this category exceeded US$16 million in 1956. Production figures for 1957 were:

Industrial Use	Units	Domestic Use	Units
Motors	41,181	Radios	274,500
Transformers	87,159	Television sets	80,000
Circuit breakers	106,274	Refrigerators	44,086
		Washing machines	30,886
		Stoves	122,000
		Irons	395,481
		Blenders	87,500

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Glass—The glass industry, one of the oldest in Mexico, is one of the best equipped with modern machinery. Production of the three main lines—bottles, ampoules and sheet glass—is adequate for domestic requirements and some exports. The main factories are located in Monterrey and Mexico City. Output in 1957 was 530 million bottles, 76 million ampoules and 4.9 million square meters of sheet glass.

Rubber—Mexico is self-sufficient in tires and tubes for automobiles, trucks and bicycles. These are made by subsidiaries of the leading United States rubber companies. A complete line of foam rubber, belting, hoses, soles, heels and floor coverings is also produced. In 1957, 1,358,000 tires and 904,000 tubes were made.

Cement—The industry has developed tremendously since 1936 when production totalled 287 thousand tons. Last year's output was 2,519,000 tons which covered domestic requirements. Installed capacity by the end of this year will be approximately three million tons and this should permit some exports.

Pulp and Paper—Import requirements have been reduced through the construction of a new sulphate pulp plant in 1956 and a newsprint mill which went into operation this year. Sulphite pulp and newsprint will continue to be important imports, although imported newsprint needs will be reduced by 30,000 tons when the new mill is in full production. Production figures for 1956 were:

Kraft paper	55,000 metric tons
Semi-kraft paper	94,000 " "
Paperboard	45,500 " "
Miscellaneous	100,000 " "
Unbleached pulp	50,000 " "
Bleached pulp	70,000 " "

Mexican mills supply all the local market for wrapping paper, bags, boxes and the common grades of wrapping and printing papers, except newsprint.

Textiles—The textile industry is one of the oldest and most important in the country. Cotton, woollen and artificial fibre textiles are made in quantity. Cotton is the leader and production is more than sufficient for domestic requirements. Exports have been important, although they have dropped off seriously in recent years. (Sales of $18.8 million were made to 60 countries in 1951 as against sales of $6.9 million to 33 countries in 1956.) Textile manufacturing in Mexico is a high-cost industry because of the obsolescence of much of the machinery. An International Labour Office study showed that of 313 important factories in the trade, only 50 had 50 per cent or more modern equipment, 70 were in the process of modernization, and 193 were operating with antiquated machinery with more than 50 years of use. Imports are not permitted.

The growth of manufacturing here has affected the market for imported products. This has meaning for Canadian manufacturers and exporters because it vitally affects export prospects and, in turn, company policies.

The development of consumer goods industries has been encouraged by the government policy of granting protection against foreign imports. At present, approximately 40 per cent of the items in the Mexican customs tariff are subject to import licences and most of these restrictions apply to consumer goods. Where consumer goods are not covered by import licences, protection is extended through high rates of duty on imports if there is local manufacture. Regardless of the method, there is no question that the market prospects for imports of manufactured consumer goods have diminished.

Market Survey Recommended

What can Canadian manufacturers of consumer goods do in order to avoid being eliminated from this market? A market survey by the Commercial Counsellor's office can determine whether Mexico can still be served by foreign manufactured products. If imports are being made, the problem becomes a strictly commercial one, in which all the various factors of price, payment terms, deliveries, style, advertising, etc., have to be considered. Although information on these points can be supplied by this office, the importance of a personal visit by a responsible officer of the company, if prospects look encouraging, cannot be over-emphasized. There is no substitute for personal evaluation of the market.

The story is different for Canadian exporters of industrial raw materials and capital goods. The expansion of manufacturing has opened up new markets in Mexico for them. Imports of raw materials reached US$375.5 million in 1957 and of capital goods US$494.7 million.

This represents an increase of 121 per cent in the market for these two classes of goods since 1950. In many cases, Canadian suppliers may be at a disadvantage because of higher freight charges or the lack of long-term credit facilities. However, the size of the market and the rapid rate of growth would seem to warrant a thorough investigation by Canadian firms to see if they can secure a larger share of this business.

Did You Know that . . .

Mexico earned US$361 million from the tourist trade in 1957, when 615,200 persons made pleasure or business visits to the country. Some 54 per cent arrived by private car, 37 per cent by air, 4 per cent by bus and 3 per cent by rail. For the first four months of 1958, the Banco de Mexico reports an income of US$185.3 million from the tourist industry and border transactions.

Iineral production and exports major factor in economy.

. J. VAN TIGHEM,
Commercial Counsellor, Mexico, D.F.

IINING has decreased in importance in recent years ut it remains one of the bulwarks of the Mexican conomy, with 70,000 employees on the payroll. lthough it is down considerably from its peak, it evertheless contributed 3 per cent to the gross national roduct in 1957. Its exports in 1957 represented 23 er cent of total exports and proved one of the most nportant sources of foreign exchange.

ndustrial Metals Are Important

'here are few minerals of any importance not found 1 commercial quantities in Mexico. Today the mining ndustry produces iron, coal, manganese, mercury, raphite, antimony, molybdenum, copper, zinc, lead, ilver, sulphur, gold, bismuth, cadmium, arsenic, fluorpar and barytes.

Iexico has long been renowned as a producer of silver. ven though output is down to less than half that of ne peak period 1926-1930, the country still maintains s position as the world's leading silver producer.

Gold, like silver, is found in practically every part of Iexico. Although it has never been as important as ilver, nevertheless this country ranks ninth as a world roducer.

n spite of the pre-eminent world position of these two recious metals, they are no longer the most important inerals produced here. Zinc, copper and lead, in nat order, are now considerably more important. Sulhur, a relative newcomer, has made a fantastic advance nd now comes in fifth position after silver. Mexico mined over a million tons of sulphur in 1957 and is now the second largest world producer.

In lead and zinc, Mexico has traditionally ranked third. In the period 1952-1956 she produced 10.9 per cent of the world output of lead and 8.4 per cent of zinc. These two minerals form the bulk of her mineral exports, over 60 per cent of the total. By themselves, they account for half of the mineral production. Their contribution to the economy is even greater, however, because more than 60 per cent of the silver comes from mines that are basically lead and zinc ore bodies. Similarly, a good portion of the gold, copper, arsenic, bismuth and cadmium is produced from lead and zinc properties. For these reasons, it has been calculated by the Mexican Mining Chamber of Commerce that

MINERAL PRODUCTION IN MEXICO 1956

recious Metals	Quantity	Value (millions of US$)
Gold	11,555 kilograms	12.1
Silver	1,342 metric tons	39.1
eading Industrial Metals		
Zinc	283,175 metric tons	76.6
Copper	79,188 " "	75.9
Lead	200,087 " "	70.3
Sulphur	794,555 " "	20.0
Iron	767,849 " "	19.9
Coal	1,408,100 " "	9.8
Manganese	61,928 " "	6.9
Mercury	673 " "	5.2

Among the industrial metals found in Mexico is iron; much of it goes to the Altos Hornos steel plant pictured above, in which the Government has invested. Steel ingot production totalled over one million metric tons last year, triple the 1950 figure.

85 per cent of the total value of mineral output depends upon lead and zinc production.

Location of Mining and Processing Plants

Historically, the western range of mountains (the Sierra Madre Occidental), the mountains of central Mexico and the southwestern mountainous area have been the great mining producers. However, there are mines in every part of the country with the exception of the southeastern states, and particularly in Chihuahua, Zacatecas, San Luis Potosi, Hidalgo, Guerrero, Sonora and Durango.

Smelting and refinery facilities are adequate for lead but not for copper and zinc. As a result, sizable shipments of zinc and copper ore go to the United States. The principal processing plants, like the mines, are owned and operated by foreign companies and are located close to the main mining centers and to coke supplies.

Mining Not Keeping Pace

Mining production has failed to keep pace with the other sectors of the economy. Not only has it lost ground in relation to other activities, but the volume of production in absolute terms has shown little gain. Output of gold and silver has dropped approximately 25 per cent in the last 12 years. Industrial metals have fared better: output went up by 18 per cent in the same period, according to the official index of production.

1945=100

Year	Gold and Silver	Industrial Metals	Total
1945	100.0	100.0	100.0
1950	76.0	104.2	92.4
1955	73.1	103.3	90.6
1956	71.0	114.5	98.0
1957	75.5	118.1	101.7

Source: Bank of Mexico Annual Report, 1958.

This drop in precious metal production and the small increase in industrial metals are clearly seen in the figures released by the Department of Mines and Petroleum, Ministry of Economy.

(thousands of metric tons)

Metal	1926-1930 Av.	1941-1945 Av.	1950-1954 Av.	1955	1956	1957
Copper	67.6	50.6	60.5	54.6	54.8	60.7
Lead	232.1	192.4	229.6	210.8	199.6	214.9
Zinc	140.3	194.0	215.7	269.3	248.8	243.0
Antimony	2.7	11.2	5.2	3.8	4.5	5.2
Manganese	.5	16.6	49.8	35.8	61.9	79.7
Silver	†	2.3	1.4	1.4	1.3	1.5
*Gold	†	18.9	13.2	11.9	10.8	10.8

*Gold is shown in thousands of kilos.
†No information.

It has been asserted that the failure of mining to keep pace with the other leading economic activities is the result of high taxes levied on the industry, chiefly a production tax, an export tax and an income tax. The combined effect of these has been to reduce the profit margin in mining operations to the point where the inflow of foreign capital, particularly up to 1956, has slowed up. Because investment in mining has been primarily foreign (85 per cent) this drop in new capital funds from abroad has had an unusually strong impact.

The operation of the tax system has also discouraged the exploitation of low-grade ore bodies. At the same time, because of the declining interest in new investment, insufficient exploration has been carried out to provide for adequate replacement of the high-grade ore bodies.

Government Action Taken

The seriousness of the situation and the inadequacy of the exploration work being carried out led the Mexican Government to pass the Mining Taxation and Development Law, which came into effect on January 1, 1956. This law was designed to encourage new investment, promote production on the basis of capital already invested, and grant special terms to small and medium-sized producers. It permits reductions of up to 75 per cent in federal taxes on new mines and also where work is resumed in mines inactive for ten years or more. Special reductions in income tax on exploration costs has encouraged private prospecting. The law also stimulates the exploitation of low-grade ore and high-cost operations through the granting of subsidies.

This new legislation appears to be effective. Mineral production has gone up in the two years since the law came into effect, in spite of unfavourable conditions in foreign markets. At the same time, foreign investment —which had been virtually at a standstill with an increase of only US$10.8 million in the period 1952-1955—rose by US$40.2 million in the two years 1956 and 1957.

However, although this law has been successful as a temporary measure, it is said that it is not a satisfactory long-term solution. The principal objection is that it does not remedy the basic problem of high taxes but merely keeps companies from operating at a deficit through granting subsidies.

Industry Based on Exports

The industry's prosperity depends on exports, which usually account for between 80 and 90 per cent of the value of production. These exports used to be relatively more important (more than two-thirds of the value of all exports in the prewar years) but they are still a major factor because they account for approximately 25 per cent of the value of current exports. They compete directly with Canadian minerals in the

Jnited States, the traditional market for approximately 0 per cent of all Mexican minerals sold abroad.

Aining Machinery and Equipment

There appear to be some opportunities for the sale of nining machinery and equipment. Mexican trade statistics show that imports of machinery for the mining ndustry in the past two years amounted to US$5.5 nillion. Of this, US$5.2 million worth originated in ne United States as against only US$40,000 from Canada. United States suppliers have the inside track n this business because they are nearer to the mining reas and also because the major companies engaged n mining in Mexico are U.S.-owned. Under these ircumstances, opportunities for Canadian suppliers to ncrease their share of the business seem to be limited. Iowever, such things as compressors, drills, bits and diamond drills are not yet made in Mexico. If a Mexican manufacturer decided to start an assembly or manufacturing operation here, this could be the means not only of entering the market but of securing a ready-made outlet for his production, because tariff protection from similar imported products would no doubt be granted.

Milling machinery such as ball mills, flotation machinery and classifiers of good quality are already made domestically. As a consequence, there is little possibility of exporting any of this type of machinery to Mexico. In spite of local manufacture, over US$1.1 million of grinding balls were imported in the two-year period 1956-1957, practically all from the United States. Freight charges place Canadian suppliers at a great price disadvantage. ●

MEXICO TODAY: Transportation

Modernization brings better service, some sales openings.

). B. LAUGHTON,
Commercial Secretary, Mexico, D.F.

MEXICO twenty years ago had only 2,300 miles of paved highway, but by 1955 there were 11,500 miles of hard-surfaced roads and 3,600 miles of all-weather travel. Three major highways extend from Nogales, Ciudad Juarez and Nuevo Laredo on the United States border to Mexico City. From there, two main roads extend to the Guatemalan border, another connects with Acapulco on the Pacific Coast, and a third with Veracruz on the Gulf and thence to Merida, in the Yucatan peninsula. There is still much to be done but as Mexico has begun to realize the possibilities of the tourist industry, the highway program has received more funds and further study. From 1939 to 1951, a total of US$232 million was spent on road construction and maintenance. In 1956 alone, the highway budget reached US$45.8 million.

Feeder roads are also essential and a special committee of federal and state officials now considers road applications from various areas and makes recommendations to the Government. In 1955 this agency was responsible for the building of 970 miles of feeder roads at a cost of US$9.7 million and the distribution of US$6.6 million for farm roads, plus US$10.8 million for state secondary highways.

The increased use of these highways for moving goods is reflected in the 1955 statistics which show that 7,500 million ton-kilometers (a metric ton is about 2,205 lb. and a kilometer is roughly ⅝ miles) were moved by road compared with less than 1,900 million in 1945. The number of vehicles registered in Mexico increased from 59,800 to 561,133 during this period (308,097 passenger cars, 220,229 trucks).

Increasing Importance of Road Transport

Road transport is taking an increasing share of the international as well as the domestic freight movement. It is now possible to ship in either carload or less-than-carload lots from the Toronto area directly to Laredo, Texas, on the Mexican border; from here, connecting lines distribute anywhere within Mexico. Deliveries to Mexico City by this method are being made in ten days to two weeks. Recently an association of highway carriers in the United States has affiliated with certain Mexican trucking lines to provide a fast pool-service from U.S. points. The aim is to eliminate eventually transhipment at the border and to simply switch the

—Diaz Molina

Thatched-roofed tractors and earthmoving machines pictured at work on a new highway in Michoacan, where the climate is tropical. Road scrapers, graders and levellers worth US$2.7 million were bought abroad in 1957 for use in Mexico's ambitious road-building program.

trailer to a Mexican tractor-unit for delivery in bond to the ultimate destination.

The highway development program and the accompanying increased use of road transport has cut into railway freight traffic. The railroads now carry only 60 per cent of the overland freight compared with 81 per cent in 1945, although total freight movement has increased enormously.

U.S. Dominates Vehicle Market

The "big three" U.S. automobile manufacturers all have assembly plants in Mexico, and so do certain European and British producers such as Fiat, Volkswagen, Opel, Jaguar and General Motors, U.K. Output increases each year but is still not sufficient for a low-cost operation. Moreover, protective duties push prices up approximately 100 per cent over those in the countries of original manufacture. Last year Mexico imported 4,148 assembled motor vehicles of all types and 37,410 unassembled. The dominant supplier in both categories was the United States, with approximately 90 per cent of imports.

Germany, Britain and Italy are next in importance, reflecting the increasing popularity of smaller cars and the traditional sale of certain heavy diesel units. Canada's share of the market in 1957 was 217 passenger cars with an export value of Can.$336 thousand. It is not surprising that all the well-known U.S. brands of automotive supplies and accessories are well established in the Mexican market. A number of automotive supply firms and the major U.S. tire manufacturers have their own plants in Mexico to take advantage of the substantial import tariffs and to establish their brands here. These firms are able to offer prompt deliveries and factory service to wholesalers and automotive distributors and this advantage, with a competitive or lower price, makes it difficult for imported products.

Shipping Services

Almost all incoming and outgoing Mexican cargoes are carried by ships of foreign registry; apart from tanker traffic by the government-owned oil industry, there are few deepsea ships operating under the Mexican flag. At the end of 1956 there were 11,000 craft, including fishing vessels, registered in the country but they totalled only 325 thousand gross tons and were used principally for coastal shipping. During 1957 permits were approved for the construction of a further 232 small craft with a total tonnage of 31,000.

At the present time approximately 80 per cent of Mexico's maritime traffic is concentrated on the Gulf coast. Veracruz and Tampico are the most important ports and there are frequent sailings to and from the major ports in South America, Europe, the United States and Canada. A less regular service connects Mexico's west coast ports with shipping centers along the Pacific coast of the United States and Canada and with the Far East. The handling of cargo at Mexican ports is none too efficient because of the inadequacy of port facilities and restrictive labour practices. In an effort to correct the former, the Government is carrying out a maritime development program calling for the investment of US$60 million during the period 1953-58. In the 12 months ended July 1957, a reported US$2.3 million was spent for repair and construction of wharves, dredging of harbours, and the modernization of communications equipment.

One of the biggest projects at present is the construction of a deep-sea port at Ensenada, on the Mexican Pacific coast, just 40 miles south of the United States border. This port will have modern berthing facilities and dockside warehouse space for six 10,000-ton ships at one time. It is scheduled to be in operation by the end of 1959.

Most of the construction business arising out of the maritime development program has gone to local firms but some sizable imports of port and drydock equipment have been made. In most cases the Government calls for a sealed bid against a rigid set of specifications and the supply contract is let on a price-and-delivery

basis. European and British firms seem to have been the most successful.

Rehabilitating Rail Services

An autonomous government organization called Ferrocarriles Nacionales operates two main-line railroads in Mexico which account for two-thirds of the 15,000 miles of track. These extend from Ciudad Juarez and Nuevo Laredo on the U.S. border through to Mexico City. The third main line, from Nogales to Guadalajara along the Pacific coast, is managed directly by the Ministry of Communications and Public Works, as are all the other small railroads in Mexico, except one narrow-gauge line in the Yucatan peninsula.

During the years 1939 to 1954 the index of railway freight capacity in Mexico increased by only 78 per cent. The deficiencies in equipment were overcome by renting freight cars from the United States and Canada and by the rapid development of road and air transport, but the rail rehabilitation program started in 1954 was long overdue. Investment in the following two years exceeded US$80 million and when Mexico's President reported to Congress in September 1957 he was able to cite the following accomplishments for Ferrocarriles Nacionales: 38,000 tons of 100-pound rail had been laid; tractive power increased by 100 diesel locomotives; new rolling stock totalling 800 freight cars, 200 cabooses, 50 mail cars and 50 sleeping cars. A new Mexico Valley Terminal had been started to include eventually a new passenger terminal, enlarged freight sheds, a modernized workshop and an automatic switchyard, all at a cost of US$25 million and scheduled for completion in 1959.

It was also reported that the Ministry of Communications had invested US$42 million during the previous 12 months in rehabilitation of the Pacific Railroad, the improvement of other mainline roadbeds, and an increase in rolling stock. The financing of such large projects has required the use of foreign funds and several international organizations have assisted. Expansion and modernization are continuing. A few years ago the Mexican Government financed the establishment of a firm to manufacture railroad rolling stock in the Federal District. It has concentrated on the standard railway box car.

Air Transport Important

Air transportation has also played an important role in Mexican development. In 1957 the 44 licensed Mexican air carriers flew 86,000 separate domestic flights totalling almost 44 million miles; they carried 7 million pounds of mail and 147 million pounds of freight and baggage. Investment by the Mexican airlines in equipment and installations in 1956 alone totalled US$21 million. Three of these lines are flying international routes with an air-fleet that includes Britannias, plus the latest versions of American piston-motored planes. Orders have been placed for jet passenger aircraft. There are 13 international airports in the country and a total of 755 landing fields under the supervision of the Federal Government. Nine foreign airlines operate scheduled flights in and out of Mexico City's modern and efficient air terminal. There are a few Canadian aircraft operating in Mexico, including several of wartime vintage, and the Canadian subsidiary of a U.K. firm has been instrumental in establishing Mexico's most modern aircraft engine overhaul shop. Some business has developed in spare parts from Canada but the volume has been limited.

Development Benefits Canada

The rapid development of communications and transportation in Mexico has benefited Canada in two ways. First, it places the Mexican market no farther away than the domestic. The Canadian exporter in Toronto, for example, can exchange telegrams or a phone call with his Mexican buyer as fast and as cheaply as with a customer in Vancouver. Similarly, he can be in Mexico City in the time it takes to reach Vancouver and with only slightly more documentation. Samples can be air-speeded to Mexico and subsequent orders routed by truck or rail will arrive speedily.

Second, the development of these facilities in Mexico is creating a market for Canadian goods. The railroad expansion program has brought Canada more than $20 million worth of sales of rails and wooden ties in past years. Now the need is for rolling stock, workshop and rail-line equipment, and credit terms are an increasingly important contract feature. Much of this business has gone to the United States without even a competing bid from Canadian suppliers. Automotive business is more difficult for Canadians to obtain, but there should be sales possibilities in specialized truck bodies, such as garbage and tanker units, in which we have been successful in other markets. Business in the air transportation and services industries is also difficult but some used aircraft and spare parts have been sold in recent years and several Canadian firms are active. The Commercial Counsellor's office has lists of firms licensed for air freighting, pesticide distribution, passenger chartering service, etc.

Mexico's marine program has not brought too much business to Canada but several firms are now quoting on prefabricated hulls and firms specializing in heavy port equipment should ensure that their names are on record with the Government to be notified when tenders are called.

There is some specialized equipment used in the expansion of Mexico's communication system which comes from Canada but a good deal of the imports are made by the Mexican subsidiaries of American or European firms. ●

THE MARKET

BUSINESS VISITS

TRADING WITH MEXICO

AS THE BUSINESSMAN SEES IT

THE TECHNIQUES

SELLING IN THE FREE ZONE

TRANSPORTING GOODS

TRADING WITH MEXICO: The Market

What are the characteristics of this busy, booming market?

A. A. LOMAS,
Assistant Commercial Secretary, Mexico, D.F.

MEXICO is Canada's second largest customer in the Western Hemisphere. It is a dollar market and it is relatively close to Canadian suppliers. It is also experiencing a rapid but balanced economic growth which offers excellent sales prospects for certain types of Canadian products. To take maximum advantage of these opportunities, Canadian exporters should keep posted on developments in this market.

The country is a blend of native American, European and U.S. influences but, although it has many unique characteristics, it shares some important similarities with Canada. Much of its terrain is mountainous, though a great central plateau covers about 40 per cent of the total area and contains the major population centres. This irregular topography, hindering transportation and settlement, has adversely affected the development of an integrated economy. Thus, despite recent major achievements in communications, a tendency towards regional markets persists. For certain products—such as agricultural equipment, sawmill machinery and mining supplies—these regional markets must be served locally.

Market Areas

To a degree unknown in Canada, Mexico City in the Federal District is the commercial, industrial and political capital of the nation. With a population close to four million and with important industrial and farming areas in neighbouring states, it is the center of the most concentrated urban market in Mexico. Whatever the location of its plants, almost every important company maintains its head office, buying, sales or branch offices in Mexico City. Here too are the central government offices and the buying and head offices of important semi-government organizations such as PEMEX, (the national oil industry), the Federal Electricity Commission, and the National Railways. About 77 per cent of the new manufacturing businesses established during 1957 were located in the Federal District.

Important Commercial Centers

Commercially, Mexico City serves the entire central part of Mexico. Although there are important exceptions, exporters can often give their distributorship to one agency in the capital which then covers the rest of the country through sub-agents, branch offices or salesmen.

Guadalajara, the capital of the State of Jalisco, is Mexico's second largest city with a population of 400 thousand. Situated 380 miles northwest of Mexico City in a rich agricultural region, it is a fast-growing industrial centre with emphasis on textiles, glass and pottery. It is also the commercial centre for a large territory and the southern gateway to the rapidly developing Pacific Coast and northwest.

Monterrey, population 350 thousand, is Mexico's third city and a major industrial metropolis with steel mills, the country's largest brewery, glass factories, cotton textile mills and many secondary manufacturing plants. It is the logical location for an agency to serve these industries and the large area to the northeast.

Two other important cities are *San Luis Potosi* (160 thousand) located about 200 miles north of Mexico in a silver-mining area and a distribution point for north-central Mexico, and *Veracruz* (130 thousand) situated on the Gulf of Mexico and the largest port. Veracruz is also the market centre for the Southern Gulf area, including Yucatan, Campeche and Quintana Roo. Here the rapid development of such resources as vegetable fibres, shrimp fisheries, sulphur and tropical hardwoods is outstripping the distribution facilities from the rest of the country. Because of inadequate transportation connections with the principal manufacturing centres, there are some market opportunities here for imported goods which cannot be sold in other parts of Mexico.

Population Increase Brings Problems

The rapid growth in population, although it means a larger and more assured domestic market, is also creating problems. Limited opportunities in much of the small-scale agriculture have been the cause of a major migration from country to city. Among the rural inhabitants, a pattern of agricultural self-sufficiency persists and excessive migration to the industrial centres has tended to retard urban standards of living through overcrowded housing, under-employment and low wages. As a result, much of the current consumer demand is restricted to the essentials.

Individual purchasing power is low, not unusual in a country where the basic industrial wage is about Can.-$1.00 a day but where the cost of many day-to-day

—G. E. Belanger

In Mexico City, a number of covered markets have been built; the separate stalls feature a variety of goods. Modern distribution and merchandising methods are being adopted rapidly.

necessities is much the same as in Canada. Despite strict government controls on many goods and services, prices have risen and disposable income has dropped in proportion. It is a significant characteristic of Mexico that, although there are 32 million potential customers, the effective market for imported consumer goods is only a very small fraction of this. In 1956, they accounted for only $167 million out of total imports worth $1,071 million.

Market Closed to Consumer Imports

The predominant demand in Mexico today is for capital equipment and raw materials for national industry, as the article on page 5 points out. More than 80 per cent of all imports now consist of production goods, and the proportion is continually increasing.

This emphasis on the import of production goods, assisted by determined but flexible government policies, will almost certainly persist as Mexico continues to industrialize and this field offers the major opportunities for Canadian exporters. Provided that current rates of economic growth are maintained, however, it seems probable that a higher standard of living will eventually stimulate demand for more imported consumer products. A factor in this is the steady increase in the number of workers gainfully employed and the high rate of annual pay increases which, if continued at their present rate, will double industrial base pay every seven years. Thus a tremendous market potential is being built up and Canadian suppliers should remain active in the market, both to keep their brand names and products familiar against the time of greater demand and to take advantage of the occasional but nevertheless worthwhile opportunities for secondary manufactured products.

Commercial Facilities Well Developed

In a strictly commercial sense, the Mexican market is well developed. It has all the requisites for doing business, including large numbers of active and reliable importers, agents and manufacturers' representatives, adequate advertising and sales promotion facilities, and extensive means of mass communication. Although the picturesque, oldtime market is still important, especially in the small towns, modern methods of distribution and merchandising, including supermarkets, department stores and even discount houses are widely employed.

The banking system too is well organized and somewhat similar to that of Canada. Under the supervision of a government central bank, the Bank of Mexico, there are many commercial banks, most of which have correspondents in Canada. These are playing an increasingly important role in Mexican economic growth, serving as the vehicle between private savings and large-scale investment. Domestic sources of private investment are still inadequate, however, and the Government has been obliged to make large direct investments in many industrial enterprises.

Payment Terms Important

Another significant result of a scarcity of private financing has been a tendency to high rates of interest. This makes terms of payment for imports extremely important in Mexico because purchasers must pay high rates for commercial and operating loans. Canadian exporters should be aware that the extended payment terms and shipment schedules offered by some European and U.S. suppliers are significant factors in this market and, to compete, they should try to provide the payment and delivery facilities that will be most helpful to Mexican customers. Some large buyers of capital equipment such as the oil industry and the public utilities insist on payment over a number of years as a condition of purchase.

Although no general rule can be established, an important credit-reference agency claims that terms vary from sight draft to 90 days, depending on the standing of the buyer; for some good established connections, open account business may be considered. Because of its cost, the letter of credit is an unpopular means of payment and should be insisted upon only when the status of the customer or the nature of the order makes it necessary. Canadian banks, credit-reference firms and the Commercial Division of the Canadian Embassy can help Canadian exporters to appraise their Mexican customers and to determine the most suitable terms.

The payments record of most Mexican businessmen is good.

United States Dominates Market

A final characteristic of the Mexican market which is perhaps of most practical importance to Canadian suppliers is the dominant position of the United States as Mexico's largest customer and supplier. As a next-door neighbour sharing a 1,500-mile border, this is probably inevitable despite the efforts of the Mexican Government to diversify export markets and sources of imports. American interests here are numerous, varied and often of long standing, and an important share of postwar development has been financed by U.S. investments. As in Canada, the presence of many U.S. branch plants and a large American colony, the influx of thousands of U.S. tourists and the wide distribution of U.S. publications and advertising mean a steady Americanization of tastes and demand, especially in the more sophisticated centres. (This should often be to the advantage of Canadian exporters whose products are designed for similar North American requirements.)

American competition takes two forms—direct exports from U.S. factories and domestic production from the local subsidiaries of U.S. parent firms. In both cases, Canadian exporters have several disadvantages to overcome, including the low prices which can be established by high-output U.S. factories, the side effects of U.S. advertising and promotion, the generally shorter distances from U.S. plants to Mexican markets, and the protective tariff structure designed to foster local industries, whether Mexican or U.S.-owned. In addition, because it is a dollar country, Mexico is an attractive market for the exporters of dollar-short European countries and in many lines there is stiff European competition as well.

But Canadian exporters can succeed in the Mexican market—our 1957 exports to Mexico, worth $42.6 million, are proof of this. •

TRADING WITH MEXICO: The Techniques

Know-how will make it easier to win Mexican customers.

D. B. LAUGHTON,
Commercial Secretary, Mexico, D.F.

THERE is no magic formula that will open the door to Mexico's $800-million-a-year import business. However, by following certain practices and procedures the businessman can assure for his product the best possible entrée. Most exporters know what these are, but a reminder may be useful.

• *Good Representation*—There is no substitute for an on-the-spot representative, preferably a firm with local management and with personal connections with business and government. Choose one large enough to cover the whole country or an allotted territory thoroughly, but not so large that your product is just another line. The Commercial Counsellor in Mexico will gladly make suggestions and help to investigate qualifications.

• *Promotion Is Worthwhile*—If your product has benefited from promotion in Canada, chances are that this will hold true in Mexico. All the familiar promotion media are used in Mexico and most of the internationally known advertising firms have branches there. There are also numerous experienced local firms. Your descriptive literature and product instructions should be in Spanish if possible; most executives know English but the salesman or the eventual buyer may not.

• *Samples Readily Admitted*—Samples of most products are admitted without the payment of duties provided they have no commercial value or have been so marked or mutilated that they cannot be resold. This holds true whether they are mailed or carried personally. Samples can be forwarded care of the Commercial Counsellor, Canadian Embassy, for customs clearance in advance of arrival.

• *Quotations*—The Mexican buyer prefers quotations in U.S. dollars C.I.F. or C.&F. his nearest border point of entry. He finds metric measures most convenient but is familiar with American standards. It is wise

to avoid using Imperial measures as they are often confused with the American. Be sure to use airmail.

• *Payments*—It's best to bill the Mexican customer in U.S. dollars which have a fixed rate of exchange (12.50 pesos per dollar). However, Canadian dollar drafts and orders can be bought at all major centres. There are no exchange controls in Mexico.

• *Trade Relations*—Trade relations between Canada and Mexico are governed by the Trade Agreement of February 8, 1946, between the two countries. This agreement continues in force indefinitely unless action is taken by one of the parties to terminate it. Under it, Canada and Mexico exchange most-favoured-nation treatment in all matters concerning customs treatment of goods and the application of internal taxes to imported goods.

• *Customs Tariff*—The present Mexican tariff has a single column of duties that apply equally to imports from all countries. Most imports are subject to compound duties consisting of both specific and ad valorem rates. The ad valorem rate is levied on either the F.O.B. invoice value or on the Mexican official valuation where this is stated in the tariff, whichever is the higher. Official valuations have been established for many products and in effect place a minimum duty on such imports. Most specific rates of duty are based on the weight in kilograms which may be either net, legal or gross weight, depending on the product. (Net weight is the actual weight of the goods without cases, containers or wrapping. Legal weight is considered to be the weight of the product, including that of the usual or ordinary immediate container in which the product is packaged inside the outer container.) In addition to the ordinary rates, there is a general surtax of 3 per cent of the duty on all freight and express shipments and of 10 per cent of the duty on all imports by mail.

In this large warehouse in Mexico City, goods can be kept in bond for up to two years before paying duties, or released piecemeal. Many Canadian exporters find this a useful service.

The International Trade Relations Branch of the Department can supply detailed information on customs regulations and tariff rates. If there is some doubt about the classification of a Canadian product under the Mexican tariff, an exporter can obtain a ruling by sending samples, or a photograph plus a description, to the Director of Customs in Mexico City.

• *Import Licensing*—Mexico imposes restrictions on a large number of imports. In these cases the importer must obtain an import licence from the Mexican Ministry of Economy before the goods are shipped. At present there is a list of over 1,400 products subject to import licensing.

• *Shipping Documentation and Customs Regulations*—Eight copies of commercial invoices must be prepared; three must either be notarized or visaed by a Mexican consular official. Bills of lading are only required officially for shipments by sea. Most land shipments go by "local bill" to the Mexican border for reshipment by the customs broker to ultimate delivery points after clearance has been arranged. In some cases a packing list is needed. For shipments of animals, animal products, living plants or their parts, a Canadian Department of Agriculture sanitary certificate is required and this must be legalized by a Mexican consular official. Consular fees for the legalization of documents are approximately $2.00 Canadian.

• *Insurance*—Mexican law requires that insurance be taken out with Mexican companies once the title or control of the merchandise has passed to a Mexican owner. This is another reason why many firms have their customs brokers arrange reshipment at the border.

• *Bonded Warehousing*—There are no customs warehouses in Mexico but a bonded warehouse service is available in Mexico City, where goods may be kept up to two years before paying duties. Shipments can also be released piecemeal even though they arrive in carload lots.

• *Packing*—Because many Mexican import duties are levied on gross or legal weights, it is particularly important to use lightweight packaging. However, rough handling and pilferage are problems too so the package must be strong enough to ensure safe travel. •

TRADING WITH MEXICO: Transporting Goods

Exporters have good choice of varied, efficient services.

G. R. GOUGH,
Transportation and Communications Section.

MEXICO is separated from Canada only by the United States and can be reached by land, water or air. Shipping services from both Canadian coasts, air service direct from Eastern and Western Canada, and railroads and highways through the United States offer Canadian businessmen a wide choice of transportation for themselves or their goods.

One of the most important problems that Canadian exporters face in doing business in Mexico is the automatic assumption in that country that transportation from Canada will be costly, time-consuming and difficult. Conversely, the proximity of the United States produces the assumption that transportation can be arranged from any point in that country more easily and more cheaply than from Canada. Canadian businessmen should surmount this obstacle by stressing to Mexican firms the positive aspects of shipping from Canada.

Shipping Services—Atlantic Coast

Two shipping companies provide regular liner-cargo service from Eastern Canada to Veracruz and Tampico on the east coast of Mexico. The Flota Mercante Grancolombiana runs a fortnightly service from Montreal and St. Lawrence River ports during the summer and from Halifax during the winter. The other regular service is provided by the Swedish American Line with a sailing every 14 days from Montreal and St. Lawrence River ports in summer and from Halifax and Saint John in winter. This line operates three modern cargo vessels, one of which is equipped with refrigerated cargo space. Calls are also made at Coatzacoalcos and Progreso on the east coast of Mexico, subject to sufficient cargo inducement. Occasionally Saguenay Shipping Limited has vessels proceeding to the east coast of Mexico.

Shipping Services—Pacific Coast

Three shipping lines offer regular services from Vancouver to Mexican west coast ports. Regular calls are made at Acapulco but the lines are prepared to call at other Mexican west coast ports if cargo inducement offers. The Flota Mercante Grancolombiana schedules a service from Vancouver twice a month; these ships have limited refrigerated space. The Grace Line offers a fortnightly service but provides no refrigerated storage. Finally there is the Chilean-North Pacific Line which operates monthly and has limited refrigerated space.

Air Transport

Canadian Pacific Airlines operates two flights a week from Montreal to Mexico City via Toronto, and two flights a week to Mexico City from Vancouver. These flights are operated with Super D6B aircraft with a payload capacity of approximately 15,000 pounds. With a full load of passengers (61-67), these aircraft can carry approximately 2,000 pounds of cargo per flight and this figure increases by 210 pounds for each unoccupied seat.

Highway Transport

Road transport services from Canada to Mexico have expanded in recent years and are now available, either direct or with transhipment, from every part of Canada.

There is a direct highway service between Sarnia, Ontario, and Laredo on the Texas-Mexico border operated by Nu-Way Freight Lines. At Sarnia connecting companies operate to most Ontario centres. The time per trip is six days.

Soo-Security Motorways Limited, which serves principal points in Western Canada, tranships goods for Mexico at Portal, North Dakota. From there American transport companies carry the goods via Minneapolis, Kansas City and Dallas to the Texas-Mexico border at Laredo and El Paso. All the American transport companies involved in this service participate in through rates from Portal to Laredo and El Paso and are licensed to haul traffic "in bond" through the United States. Service on less-than-truckload shipments from Portal to the Mexican border averages seven to nine days in transit and truckload shipments average five to six days. Most American carriers involved do not accept freight requiring refrigeration either in truckload or less-than-truckload quantities on such a long haul. From Vancouver goods go by road to Mexico by B.C. Seattle Transport Division, Sea-Van Express Limited, and United Truck Lines. Service is daily and time required from Vancouver to the Mexican border is four days.

On the Pacific coast, refrigerated trailers are permitted to move across the U.S.-Mexican border. Thus, Mexican trailers can be operated into the U.S. and U.S.

trailers can enter Mexico for shipments of fresh produce. However, because there is apparently not enough refrigerated traffic moving between Canada and Mexico this service is not extended to British Columbia. Perishable products moving from B.C. to Mexico are therefore transhipped at U.S. centres such as Los Angeles.

There are trucking companies operating from Montreal to New York where goods are transferred to trucking services destined for Laredo, Texas. This is a daily service but it takes approximately ten days to reach the U.S. Mexican border.

Rail Transport

The combined facilities of Canadian, United States and Mexican railways provide good connections and all-rail routings from any railway point in Canada to Mexican destinations. Within Mexico, the main rail routes connect with U.S. railways at four border points.

Unfortunately, a shortage of railway cars in Mexico remains a problem. This has led to the placing of an embargo on U.S. and Canadian railway cars moving onto the National Railways of Mexico lines. This embargo affects carload shipments, a term that includes any shipment moving on a carload rate; any shipment or shipments from one shipper to one consignee aggregating 20,000 pounds or more, whether moving on L.C.L. or quantity rates; any shipment or shipments from one shipper to one consignee and occupying a car to the exclusion of other freight. Less-than-carload shipments do not require permits because they are transhipped at the U.S./Mexico border.

The purpose of the embargo is to enable United States and Canadian railways to limit the number of railway cars proceeding onto the lines of the National Railways of Mexico. In effect, the embargo does not preclude the movement of carload freight to Mexico but rather requires the shipper to first obtain a permit for the movement. Applications for permits should be sent to the Car Services Division, Association of American Railroads, Washington, D.C. The Canadian shipper should inform Mexican customers when he is applying for a permit so that the latter can make application to the Mexican Government, on whose advice the AAR issues permits. The aim of the Mexican authorities is to ensure that high priority goods are issued permits before those of low priority. Application by a Mexican customer to the Mexican authorities can therefore assist in securing one. To support its case, the Mexican firm must know the registration number assigned by the AAR to the application for permit of the Canadian exporter, and also how many railway cars are involved. Canadian exporters should be careful about confirming orders and rail delivery dates until they are assured of the necessary car permit. •

A large steamship unloads in Veracruz, on the Gulf of Mexico, 264 miles from Mexico City and one of the country's principal ports. Regular cargo-liner service from Eastern Canada to Veracruz and Tampico is provided for Canadian exporters.

TRADING WITH MEXICO: Business Visits

Travelling south? These hints may smooth your way.

A. A. LOMAS,
Assistant Commercial Secretary, Mexico, D.F.

THE fastest and most effective method of assessing the market opportunities in most areas is by a personal visit—and Mexico is an ideal place for a combined business and pleasure trip. The tourist trade is important in the Mexican economy and tourist expenditures account for about 40 per cent of foreign exchange earnings. Thus Mexico's capacity to import is directly related to income from tourists. Last year this amounted to about one-third of total import value. According to Mexican government estimates, 7,500 Canadians visited the country in 1955 and this figure was doubled in 1956. Because the average Canadian visitor spends about US$550 on his trip, slightly more than his U.S. cousin, Mexico's ability to purchase Canadian products receives a worthwhile boost.

Timing a Visit

One of Mexico's principal attractions is the climate. The average November-to-February temperature in Mexico City and many of the higher-altitude resort areas is in the mid-fifties, with hot sunny days and cool nights; at Acapulco on the Pacific, the figure is 79 degrees. Mexico City and its environs are becoming more and more popular as a summer resort among North Americans fleeing the sweltering heat back home. Average June-to-September temperature is 61 degrees. As a result, there is no best season in which to visit Mexico, although during the summer it generally rains for a short time every day. But tourist facilities are less crowded during the summer, accommodation is easier to find, and sometimes summer rates are lower.

Facilities of Canadian Embassy

No matter when you visit Mexico, if business is on your itinerary, plan to make full use of the services of the Commercial Division of the Canadian Embassy in Mexico City. Officers of this division can help you by furnishing introductions and advice on local conditions, or in other ways. Valuable time may also be saved by contacting the Foreign Trade Service of the Department of Trade and Commerce in Ottawa. In both cases, it is important to discuss your plans, interests and requirements well in advance of your trip so that there will be sufficient time to search out the information required. Mail for Canadian visitors may be sent in care of the Embassy where it will be held until picked up or forwarded as directed.

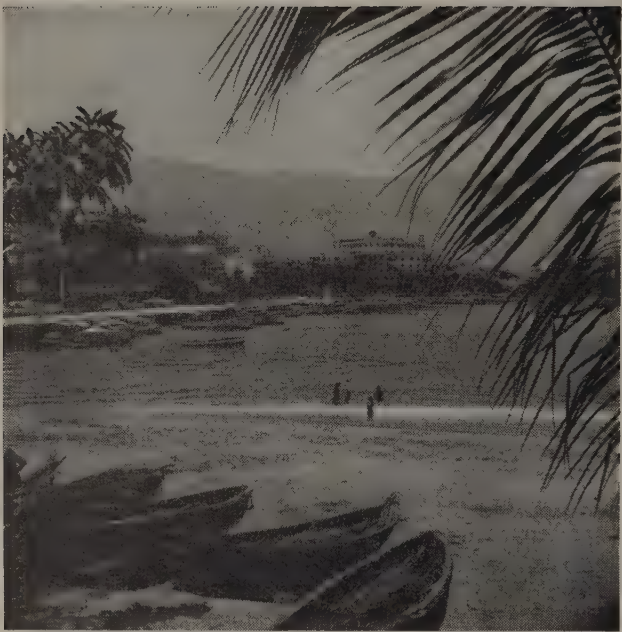
Documentation for Canadian Visitors

The documentation required to visit Mexico is simple. Canadian tourists require a valid Canadian passport, an international smallpox vaccination certificate dated within the past three years, and a Mexican tourist card. For the latter, apply to the Mexican Embassy in Ottawa or to any Mexican consulate in Canada or the United States, to Mexican immigration offices on the Mexican-U.S. border, or to certain ticket and transportation agencies. Business visitors should note that if their trips involve actual sales, order-taking or any other directly remunerative activity, they will probably need a business visa. However, if the purpose is to acquaint oneself with market conditions, a tourist card is sufficient. Applications for such visas must be made to the Mexican Embassy in Ottawa or to a Mexican consulate and because it takes some time to prepare the necessary documents, requests should be made well in advance of departure. To save time, businessmen who are planning to visit Mexico en route to Central or South American countries should also obtain all the necessary visas and other documentation before leaving Canada.

Travelling to Mexico

Canadians may travel to Mexico by road, rail, air or water or any combination of these. One popular method for businessmen combining a trip to U.S. and Mexican points is to travel by car or train in the former and then fly from their last U.S. stop to Mexico City. Travel facilities both to and within Mexico are excellent. From the major entry points on the U.S. border —Nogales (Arizona), El Paso, Eagle Pass, Laredo and Brownsville (Texas)—first-class paved highways lead to Mexico City. Rail connections to Mexico City can also be made via Nogales, El Paso and Laredo; the latter is the shortest and most popular route from the United States. Unfortunately, despite extensive railroad rehabilitation programs, slowness and delays still persist. For travellers who have plenty of time, there are a limited number of ocean sailings from Canadian and U.S. ports to both the Pacific and Gulf coasts of Mexico.

If, on the other hand, time is of the essence, air travel provides the ideal solution and round-trip fares are



—G. E. Belanger

If you want to combine pleasure with business, Mexico abounds in interesting places to visit. One of the most famous is Acapulco on the Pacific, with its inviting beaches and hotels.

surprisingly economical. Canadian Pacific Airlines offers non-stop flights from the Montreal-Toronto and Vancouver areas, and if the businessman is going on to South America, he can use the CPA regular flights to Lima, Santiago and Buenos Aires.

Travelling in Mexico

Travel facilities to important centres within Mexico are also well developed. A network of trunk highways serves most of the important cities, making motoring (personal or rented car) very convenient and travel on fast, modern buses popular. Internal air services using the most modern equipment offer cheap, fast transportation to all the leading commercial centres. Complete details are available from Canadian travel agencies and transportation companies.

Accommodation

The fast-growing tourist business means that lodgings for travellers in Mexico are generally excellent. There is hotel, motel and other accommodation in almost every major centre, ranging from the luxury to the more modest-priced types. Rates are generally lower than for similar accommodation in Canada, with the exception of the big resort areas during the height of the tourist season. Canadian visitors planning to arrive in Mexico during this period (roughly November to March) or during Easter and early May should request hotel reservations well in advance.

Because of the rising cost of living and its popularity, Mexico is no longer a 100 per cent bargain for visitors. Much depends on the visitor's tastes and requirements, however, and a trip can generally be tailored to fit every pocketbook.

Health Precautions

Visitors should bear in mind that Mexico City and many of the cities on the central plateau have an altitude of more than 6,000 feet (Mexico City is almost 7,500 feet up). For this reason, intending visitors should discuss with their doctors the advisability of living at such heights. Gastro-intestinal illnesses are also common and tourists should be careful about where and what they eat. In particular, drinking tap water and eating uncooked fruit and vegetables are to be avoided. Although medical, hospital and pharmaceutical services are good, visitors might well consult their doctors about a preventive-cum-remedy for the infamous "turista".

Climate and Clothing

Although the climate throughout most of Mexico is temperate during the entire year there are important exceptions—such as the coastal and southern tropics, where year-round weather is hot and humid, and the low-lying north where summers are hot and winters cold. Apart from sportswear for the resorts, probably the most suitable clothing for Mexico City and the rest of the central highland is what would be worn in Canada in spring and fall. For men this means lightweight woollen or wool-and-synthetic suits and for women a combination of summer and fall dresses plus a light suit. In winter a light overcoat or gabardine is useful for the cool evenings and raincoats and umbrellas are prescribed for summer visitors.

Things to See and Do

There are many diversions for the visitor. Mexico City itself is a large metropolitan centre with all the usual city entertainments, including a gay night life. Outside the city, there are many beach and mineral-spring resorts and ideal places for resting in either tropical or temperate surroundings.

Mexico also abounds in interesting things to see. For the historically minded there are the Aztec and Mayan ruins, many of them restored and developed as national monuments. History is always near the surface in Mexico and Spanish colonial cities, towns and villages, beautiful old churches, mouldering haciendas and magnificent natural scenery add to the visitor's enjoyment. For many, it is enough to roam the streets of Mexico City, Guadalajara, Taxco, Guanajuato, Cuernavaca, Oaxaca and other cities, watching the life of the country pass by and gaining an insight into the Mexican market.

For those who want to buy as well as sell, shopping facilities are excellent, ranging from tiny roadside stands

to modern department stores. Good buys include silver, copper and married-metal work of all types and sizes, cotton sport shirts and skirts, handcrafted jewellery, and lacquer and basketware. In addition, there are few visitors who do not succumb to at least a few colorful Mexican souvenirs—a bullfighter outfit for Junior, Indian ceremonial masks for the basement recreation room, or bright woven sarapes to grace the summer cottage.

Holidays and Business Hours

When time is short, business visitors should avoid arriving in Mexico when government and commercial offices may be closed for public holidays. The most important holidays are:

New Year's Day
February 5—Constitution Day
March 21—Juarez' birthday
Easter Week—but especially Maundy Thursday and Good Friday
May 1—Labour Day
September 15-16—Independence Day Celebrations
October 12—Columbus Day
November 2—Day of the Dead
November 20—Anniversary of the Revolution
December 12—Guadalupe Day
Christmas Day

Although most shops and stores are open from 10 a.m. to 6 p.m., office hours vary considerably. Some firms remain open from 9 a.m. to 1 p.m. and re-open from 2 until 6 p.m. Others open earlier, take a longer and later lunch period, and remain open until 7 p.m. Government offices and some businesses begin work early and close at 2.30 p.m. for the rest of the day. The Commercial Counsellor's office is open from 8.45 a.m. to 6 p.m., but is closed for the lunch hour.

Further information on travel to and in Mexico can be obtained from the Mexican Embassy in Ottawa, from your nearest Mexican Consulate, or by writing to the Mexican Tourist Office, Avenida Juarez No. 89, Mexico 1, D.F. •

TRADING WITH MEXICO: As the Businessman Sees It

How did Mexico impress a Canadian on his first visit?

K. C. CLARKE, *Export Sales Manager, Shawinigan Chemicals Limited, as told to O. Mary Hill.*

NO order-book went into the briefcase that K. C. Clarke, export sales manager of Shawinigan Chemicals Limited, carried when he paid a two-week visit to Mexico recently. The omission did not mean that he considered Mexico an impossible market for Shawinigan products, nor that pleasure rather than business was his objective. He intended to carry out some sales research and he was acting on his conviction that a selling and a survey trip cannot be effectively combined. His advice to businessmen planning to travel "down Mexico way" is *either* sound out the market *or* peddle your products. Don't try both.

Shawinigan Chemicals was not entirely a stranger to this market. For a number of years, at least one of its products had been selling there. But—and this is a common experience as Mexican industry expands—the one-time customer had begun to make the product himself. The Mexican demand for chemicals was changing; so too was Shawinigan's output. The company had new products to offer. Could these be sold competitively in Mexico? The traveller was seeking the answer to this question.

A trip of this kind, Mr. Clarke realized, needs careful planning, especially if it is compressed into two weeks. His preparations began with some study. With the help of the Department of Trade and Commerce, he examined the Mexican tariff on chemical products and the system of import licensing. He found that, once a product is made in Mexico, the Government protects the domestic manufacturer through customs duties and import licences. He also looked into shipping services and shipping costs, because these bulk large in setting export prices.

Next he wrote to the Canadian Trade Commissioner in Mexico City, briefing him on his trip and its purpose. Armed with this advance notice, the Trade Commissioner rounded up facts and figures on the Mexican chemical industry and lined up appointments for Mr. Clarke. The stage was set for his arrival.

Planning One's Time

When Mr. Clarke landed in Mexico City, he made the Trade Commissioner's office his base of operations. This was convenient because most of the companies that he planned to visit had factories in or close to Mexico City; those located elsewhere (usually in Guadalajara

The businessman surveying the Mexican market can make his headquarters in bustling, modern Mexico City, where most domestic industries have plants, or maintain their headquarters.

or Monterrey) customarily have head offices or sales offices in Mexico City, the big buying center. Not much of his time had to be spent travelling about the country but because of the size of the metropolitan area, it took several hours of each day to get from one plant or office to another. He elected to concentrate on one product at a time, devoting one day to discussing product A with businessmen and the next to product B.

Information Only

Once he began to make the rounds, he felt that his decision to look into the situation, not to sell, was wise. His conversation with a businessman usually began: "I'm not here to talk sales or quote prices; I'm here to find out about the market for chemicals. Can you help me?" Nearly always, he found his host more than willing to give information, even when he himself made or sold competing products. Moreover, one executive often supplied an introduction to another who might assist the Canadian visitor. "If," Mr. Clarke says, "I had begun by quoting prices and these seemed out of line, the interview, and the information I gained, would have ended there."

U.S. Influence Strong

A fortnight spent in this way provided him with a solid core of facts around which to build a subsequent sales campaign. It also left him with several strong impressions of this dynamic country. One of them was of the tremendous influence of the United States—greater, it seemed to him, than in any other part of Latin America. Most of the executives in the chemical industry were, he discovered, graduates in chemical engineering from U.S. universities. A large number of U.S. companies have set up subsidiaries in Mexico, with plants and sales offices.

Some of these subsidiaries not only turn out certain products but also import and resell others manufactured by the parent company. This makes the competition stiffer. In addition, many of the best import agencies are run by Americans who like the life in Mexico City and have gone into business there. The bulk of foreign capital flowing in is American.

Market Characteristics

His experiences confirmed his view that Mexico is, for many exporters, a market with a shifting demand and one that calls for flexibility in approach. He realized this before he left Canada but his Mexican interviews confirmed it and gave him a clearer idea of how chemical output there is shaping up. Success in this market means keeping in close touch with the situation and adapting sales policy in line with Mexican industrial progress. One visit provides a better basis for making decisions than many hours of correspondence.

This clearer view of the market was accompanied by a better understanding of agents and how they work. Shawinigan Chemicals, for example, has an active and efficient agent in Mexico City who has sub-agents in Guadalajara and Monterrey. He does not confine himself to handling chemicals but includes metals, hardware and liquor. This appears to be standard practice in Mexico and essential if the agent wants to make a good living. In addition, like many other Mexican agents, he also retails domestic-made products. Many of the agencies (this one included) are British; Americans too, as already mentioned, are active in this field.

Mexican businessmen Mr. Clarke describes as shrewd bargainers, with an inborn love of trading. They expect to spend time coming to a financial arrangement with a would-be supplier and the supplier does well to decide in his own mind how low he is prepared to go before he enters on negotiations. Mexican executives, Mr. Clarke reports, are well-trained, honest and efficient, with a high reputation in their commercial dealings. In fact, he adds, his firm has never lost a dime on any of its accounts in Latin America.

Final Impressions

When he returned to Canada, Mr. Clarke sorted out his impressions and analyzed the information he had gathered. He emerged from this process with some conclusions that should prove valuable to Canadians anxious to cultivate this market.

• *Go Yourself*—An export manager cannot really understand a market unless he visits it. This applies with special force to Mexico, where change is continuous and industry expanding by leaps and bounds. Some companies feel that if they are not making sales in an area, they should not spend money going there. Mr. Clarke's answer is that an exploratory visit always pays for itself sooner or later. In many ways the Mexican market is a difficult one and it cannot be understood by sitting at home. To keep expenses down, Mexico can be one stage on an itinerary that covers other Caribbean or Latin American countries; he himself also visited Cuba, Jamaica, Puerto Rico, and the Dominican Republic.

• *Keep Prices Low*—In Mexico, price has great importance and buyers will hold out for the lowest possible one. The opportunities to sell Canadian raw materials are many, if a competitive price can be established. Research on the spot will give an exporter knowledge of his competitors' prices and the factors entering into his own. One is transportation—it is vital in effective competition with United States firms.

• *Study Credit Terms*—Mr. Clarke's discovery was that, in general, credit terms are long—say 60 to 90 days—and are tending to lengthen out. The firm that holds out for selling on letter of credit only may miss out on orders. The credit standing of customers, important when terms are involved, should be checked with the aid of the exporter's bank, the Trade Commissioner's office in Mexico City, and the American Credit Bureau.

• *Look into Shipping Services and Shipping Costs*—They count heavily in this area and should be examined with the location of the customer's plant in mind. Making a choice between shipping by water, rail, or truck, or a combination of these, needs thought. First-hand study may be rewarding.

• *Take Time in Entering the Market*—An exporter should take his time about entering the Mexican market, investigate it thoroughly, and consider it from all angles. Once he has decided to sell in Mexico, he should be prepared to stay with it and to put money, time and effort into developing sales. The experience of many Canadian companies proves that this effort brings results. •

TRADING WITH MEXICO: Selling in the Free Zone

This area offers special opportunities in certain lines.

D. B. LAUGHTON,
Commercial Secretary, Mexico City.

THE northwestern portion of the State of Sonora, the State of Lower (Baja) California, and the Territory of Lower California are still too remote from Mexican manufacturing centres to be served economically by domestic industry. Until transportation improves or the products can be manufactured locally, the region has been exempted from most of the tariffs and import licensing in force in the rest of the country. The area is classified officially as a "customs free zone" and under present legislation will remain so, at least until 1967.

Very little Canadian merchandise is sold here, presumably because of the high cost of rail transportation from the manufacturing centres in eastern Canada. There should be some market, however, for products which could arrive by sea from the West Coast. To determine just what this customs free zone of Mexico might offer Canadian exporters, an on-the-spot study was recently completed.

First, some general information. The customs free zone has a population of about 800 thousand, or 3 per cent of the total population of Mexico. Its imports in 1957 were valued at US$95 million and represented 8 per cent of total Mexican imports. The area depends mainly on the tourist trade and agriculture and both are growing. The tourist trade is being boosted by improved roads and air services, by better accommodation, and by the world-wide travel boom. Agriculture is benefiting from new irrigation projects.

A railroad joins the border city of Mexicali with the centre of the republic but Tijuana and Ensenada are served only by low-grade roads. La Paz has neither and relies on the airlines and irregular visits from shallow-draught coastal vessels. San Diego, only eleven miles north of Tijuana, is the principal seaport for the area but the Mexican Government is building a new $16 million harbour in Ensenada; by the end of 1959, it will have facilities for six ocean-going ships as well as coastal vessels. This port will handle all cotton exports from Baja California; these already total some

—G. E. Belanger

Among the imports into the customs free zone in Lower California are wood products, such as construction lumber, plywood, newsprint (shown above), cellophane, and other products.

400 thousand bales a year. Ensenada is also expected to receive an increasing amount of incoming freight.

With the exception of several fish-packing plants, manufacturing in the customs free zone is confined to the processing of local crops. These enterprises include cotton ginning and cotton oil processing plants, wine distilleries, and breweries. Service industries are more or less adequate, but there is an unusual dependence on the distribution facilities of nearby United States cities, geared to service the Mexican border areas.

U.S. Supplies Consumer Goods

Because there are customs duties on only a few commodities and no currency regulations, goods move freely over the border. The Mexican retailer therefore has the advantage of quick delivery of small-quantity, large-variety orders by patronizing wholesalers in Los Angeles, San Diego, Tucson or Phoenix. Credits are an added inducement and in machinery lines, the availability of spare parts and technical services is a further attraction. All this, combined with radio and television advertising, practically ensures that the free zone will continue to buy most of its foodstuffs, clothing, household furnishings, mechanical equipment, automobiles, spare parts and farm machinery from United States suppliers, as long as duty-free entry is permitted.

What Canada Can Sell

This large category of consumer goods admittedly accounts for the major portion of the free zone's imports. But there are still certain commodity groups in which volume is sufficient to warrant direct import, if there is a price advantage. In some of these, Canada is a competitive exporter and there should be some opportunities. The following may have possibilities:

Lumber—Almost all the wood products used in this area are imported from lumber wholesalers in the United States; the principal exception is plywood from Japan. The demand by some of the builders and distributors in the free zone is now sufficient for direct carload-lot imports and Canadian quotations F.A.S. San Diego would be welcomed. Severe price competition can be expected.

Free Zone Imports of Wood Products

(US$'000)

	1957	1956
Construction lumber	1,200	1,600
Poles and posts	140	300
Railroad ties	50	130
Plywood	80	70
Pulp board	220	200
TOTALS	1,690	2,300

Paper Products—Large quantities of paper are consumed, but many types are imported in rather small quantities, as shown in the accompanying table.

Imports of Paper Products

(US$'000)

	1957	1956
Newsprint	100	130
Cellophane, transparent paper	60	100
Carton cardboard	270	260
Treated paper	160	110
Tissue paper	170	140
Labels and wrapping	110	160
Bags and cartons	500	450
Miscellaneous paper manufactures	150	130
TOTALS	1,420	1,380

Agricultural Chemicals—Purchases of agricultural chemicals are large and can be expected to increase as irrigation projects bring new land into production.

Imports of Agricultural Chemicals

(US$'000)

	1957	1956
Ammonia	330	550
Nitrate of ammonia	120	100
Sulphate of ammonia	200	190
Mixed chemical fertilizers	3,060	2,830
Insecticides, fungicides	1,030	1,360
Organic mineral mixes	250	240
TOTALS	4,990	5,270

Some "made-in-Canada" fertilizers of various NPK ratios are already selling in the area but are bought through a United States distributor.

The names of some of the principal buyers in the customs free zone of Mexico of the products listed in this article can be obtained from the office of the Commercial Counsellor, Canadian Embassy, Mexico City. A list of products which do *not* qualify for duty-free entry is available from the International Trade Relations Branch, Department of Trade and Commerce. •

TRADING WITH MEXICO: Selling Fishing Equipment

Marine gear, plant machinery needed as fisheries expand.

A. A. LOMAS,
Assistant Commercial Secretary, Mexico, D.F.

MEXICO'S expanding fishing industry opens other prospects for Canadian suppliers. With the assistance of the "March to the Sea" program (discussed on page 11), new sources of financing, better fishing techniques and wider markets, the fishing fleet is being improved and enlarged and a merchant marine is growing.

In 1953 the fishing fleet was reported to number some 5,800 vessels, of which 880 were motor craft over five gross tons. In 1956 and 1957, 213 new coastal and fishing vessels were launched and authorization was given this year for building 232 more. According to newspaper reports, 18 new trawlers were launched during a single week in January and another 40 vessels were reported under construction. In July a 750-ton coastal freighter, the largest ever built in Mexico, was launched from the Veracruz shipyards.

It is estimated that there are 85 shipyards of varying size and importance in Mexico. Among the more important are those in Ensenada, Guaymas, Acapulco, Veracruz, Ciudad del Carmen, Tampico, Tuxpan and, strangely, Mexico City, where vessels are prefabricated for shipment to the coast.

Vessel Types

The most modern and best-equipped boats are being used in the shrimp fishery. The otter trawl is the mainstay of this fishery and there are about 750 of them in operation. Each coast has its own type of craft. On the Pacific, many trawlers are built on the lines of the California purse-seiner and thus tend to resemble British Columbia vessels. Most of the newer boats on the Gulf Coast are the Florida type—in turn an extension of New England designs—and consequently show some similarities to the Nova Scotia long-liner and the Gloucester-type dragger. The average boat is about 55 feet long, of wooden construction, and represents a capital investment of over US$20,000.

Marine Hardware Needed

A combination of highly protective duties and low domestic construction costs makes it extremely unlikely that Canadian-built fishing vessels could be sold in Mexico. On the other hand, looking at the expanding fishing and shipbuilding industries, there may be interesting prospects for Canadian suppliers of marine hardware and equipment, fishing-boat gear and processing-plant machinery.

At present, few articles of these types are being made in Mexico and most of them are imported. The table shows 1957 imports of unspecified marine equipment:

Marine Equipment Imports, 1957

(US$'000)

United States	2,751
Britain	115
Germany	39
CANADA	18
Czechoslovakia	8
Japan	2
France	2
Denmark	1
Others	2
TOTAL	2,938

Duties on parts and components for the shipbuilding industry are low. In a move to stimulate the industry, the Government recently granted a 75 per cent exemption of duties on machinery, equipment, parts, tools and raw materials used in the construction of boats from 30 to 99 gross tons. It has also authorized US$2 million for assistance to shipbuilders.

Equipment for which there may be a market includes winches, gears, propellors, trawl gear, gurdies, radio and electronic equipment, and refrigeration machinery. In addition, because many of the smaller and older boats are powered by old automobile engines, it has been reported that there is a need for a reliable but inexpensive marine gas engine.

Processing Plants Under Way

Ashore there are interesting prospects also. The fish-processing industry is said to need some major enlarging and modernizing to keep pace with catching facilities. A number of new shrimp-freezing plants have recently been constructed and undoubtedly more freezing and canning plants will be built in the future. Filleting, canning, freezing, storage, transportation and distribution equipment will be needed and interested Canadian firms should try to get some of this business.

In doing so, however, it will be necessary to remember that, as in Canada, fishermen and packers will insist on servicing facilities for any equipment that they buy. Canadian companies must also be prepared to meet and beat both American and European competition in order to win a larger share of this growing market. ●

Commodity Notes

Iron Ore

VENEZUELA—Iron ore production during the first four months of 1958 totalled 4.7 million tons compared with 3.7 million in the same period of 1957—Caracas.

Leather

CEYLON—The Leather Products Corporation is planning to build a new factory to increase production from 30,000 to 100 thousand pairs of shoes a year. The Leather Products Corporation meets almost the entire demand for shoes for the navy, army and police and a small quantity is available for sale to the public. The present factory is said to be outmoded and most of its machinery obsolete. A Danish expert has arrived to advise the Corporation on its scheme for expansion and another expert from Czechoslovakia is expected shortly. There is only one other medium-sized shoe factory in Ceylon; it is operated by the Bata Shoe Co. of Ceylon Ltd. At present, Canada supplies most of the wooden shanks required by the Leather Products Corporation. Canada has also been successful in obtaining a substantial order for sole leather on a world-wide tender basis.

To encourage the local industry and reduce the annual expenditure of over Rs.2.5 million on imported shoes, the Government has now raised the duty from 25 per cent preferential and 35 per cent general to 100 per cent. As a result, imports are bound to decline because foreign shoes will be beyond the means of the majority—Colombo.

Nickel

NORWAY—Falconbridge Nikkelverk A/S, Kristiansand, a subsidiary of the Canadian company, Falconbridge Nickel Mines Ltd., is the only nickel producer in Norway. It has increased its capacity to about 24,000 tons a year, compared with 21,000 tons last year and only 10,000 tons in 1950. Exports of nickel in January-April this year totalled 7,100 tons worth kr.92 million (5,600 tons and kr.91 million in the same period of 1957). More than 60 per cent of the exports went to the United States. West Germany took nearly 900 tons, Sweden about 700 tons, anc the United Kingdom 650 tons. The firm also produces several thousand tons of electrolytic copper a year The raw material treated at the Kristiansand works is nickel-copper matte imported from Canada—Oslo

Paper

UNITED STATES—The International Paper Company recently opened its new $57 million newsprin and paperboard mill at Pine Bluff. The new plant located on a 3,500-acre site, has a capacity of 13(thousand tons of newsprint and 165 thousand tons o for the mill will come from the company's timberlanc in Arkansas and Louisiana—New Orleans.

Petroleum Refinery

BRAZIL—It has been announced that representatives of English petroleum manufacturers are in Rio de Janeiro to conclude negotiations covering the equipment for the big Duque de Caxias refinery outside the federal capital. The refinery, scheduled for completion in 1961, will have an initial capacity of 10(thousand barrels a day and will be the country's largest refinery. Value of the equipment is reportec to be US$14 million. Petrobrás has also receivec authority from SUMOC covering a financing projec with the California Corporation worth US$5 millior to cover purchases for the same refinery. Credit is repayable in five years and will bear interest at 6 per cent—Rio de Janeiro.

Poultry Products

NETHERLANDS—Exports of poultry products during the period January 1-June 30, 1958, were valuec at fl.210 million compared with fl.192 million during the corresponding period last year. Egg exports showed a quantitative decline from 1,050.4 millior last year to 987.3 million but the export value went up from fl.126.5 million to fl.129.9 million. Exports of eviscerated poultry increased from 17,888 to 19,44 metric tons, valued at fl.46.1 million and fl.53.0 million respectively—The Hague.

Teak

CEYLON—To achieve self-sufficiency in teak, its second biggest timber import, the Ceylonese Government has decided to extend teak plantings by 2,000 acres a year over a period of five years. The scheme is expected to cost the Government about Rs.150 an acre and when the Five Year Plan is complete, the acreage under teak cultivation will total approximately 20,000. One of the biggest obstacles to putting the scheme in hand immediately is the insufficient quantities of seed available locally. Ceylon has approached India for assistance but it is reported that India will not be able to supply the seed until next year. Preliminary work on the scheme is to be started during the next financial year and the Five Year Plan itself is expected to begin at the end of 1959. At present, Ceylon buys teak from Burma and Thailand and spends over Rs.4 million a year—Colombo.

Trade Commissioners on Tour

The following officers of the Trade Commissioner Service are on tour in Canada. Their itineraries are:

H. E. CAMPBELL, Trade Commissioner in Kingston, Jamaica:

Ottawa—Oct. 14-17	Saint John—Oct. 28-30
Montreal—Oct. 20-24	Black's Harbour—Oct. 30
Halifax—Oct. 27	Florenceville—Oct. 31

When he completes his tour Mr. Campbell will return to his post in Kingston, Jamaica.

C. M. FORSYTH-SMITH, Trade Commissioner in Hong Kong:

Quebec City—Nov. 3	Hamilton—Dec. 4
Ottawa—Nov. 4-14	St. Catharines, Welland—Dec. 5
Toronto—Nov. 17-28	Montreal—Dec. 8-19
Windsor—Dec. 1	Winnipeg—Jan. 5-6
London—Dec. 2	Vancouver—Jan. 8-21
Brantford—Dec. 3	

When he completes his tour Mr. Forsyth-Smith will return to his post in Hong Kong.

E. H. MAGUIRE, Consul in Hamburg, West Germany:

Toronto—Oct. 9-18	Montreal—Oct. 23-Nov. 5
Hamilton—Oct. 20-21	

Businessmen who wish to see these officers should get in touch with the Board of Trade or Chamber of Commerce in the cities mentioned, with the following exceptions. In Toronto, Winnipeg and Edmonton, the Trade Commissioners make their headquarters at the offices of the Canadian Manufacturers Association; in St. John's, Ottawa and Vancouver, at the Department of Trade and Commerce; in Victoria, at the Department of Trade and Industry, and in Fredericton at the Department of Industry and Development.

Tours of Territory

J. D. BLACKWOOD, Assistant Commercial Secretary in Karachi, Pakistan, will tour East Pakistan from October 6-16.

W. J. COLLETT, Acting Trade Commissioner in Bombay, India, will visit Calcutta, October 9-18, New Delhi, October 25-28, Patna, October 29-30, and Ranchi, October 31-November 2.

W. M. MINER, Assistant Trade Commissioner in Hong Kong, will visit Saigon, South Vietnam, from October 27-November 6; Phnom-Penh, Cambodia, from November 6-10, and Vientiane, Laos, from November 10-15.

J. H. NELSON, Assistant Commercial Secretary in New Delhi, India, will tour eastern Uttar Pradesh during the latter part of October.

R. D. SIRRS, Assistant Commercial Secretary in Caracas, Venezuela, will visit Maracaibo, Ciudad Bolivar, Puerto Ordaz, Caroni, and the mining district of eastern Venezuela during October.

Businessmen who would like these officers to undertake assignments should get in touch with them at their posts as soon as possible. Write to Mr. Blackwood at Karachi, Mr. Collett at Bombay, Mr. MacNaught at Wellington, Mr. Miner at Hong Kong, Mr. Nelson at New Delhi, and Mr. Sirrs at Caracas.

United Kingdom

Restrictions on Dollar Imports Relaxed

Sir David Eccles, President of the Board of Trade, made the following announcement during a speech to the Commonwealth Trade and Economic Conference in Montreal on September 17, 1958.

"Our policy in this matter of import restrictions has been consistent. It is true that in view of our balance-of-payments position we have had to maintain some restrictions on imports, mainly from the dollar area. But, as the Chancellor of the Exchequer said in his opening statement, we have moved forward steadily towards the goals of non-discrimination and convertibility. And it remains our firm policy to remove discrimination entirely as our circumstances permit.

"Our record will speak for itself.

"In the years immediately following 1952 we freed from import control the major raw materials and basic foodstuffs.

"In 1956 we removed controls on paper, pulp and board, and made a very substantial increase in the quota for newsprint.

"By 1957, 62 per cent of our dollar imports were free of all restriction.

"A year ago—and notwithstanding our difficulties at that time—we freed almost all remaining raw materials.

"Earlier this year we gave a substantially increased quota for canned salmon; abolished the discrimination against the dollar area in our import licensing arrangements for apples, and gave extended quotas for other dollar fruit.

"In July we made a further major step forward by removing completely import controls on all chemicals.

"As you, Mr. Chairman, recognized, a decision on the pace at which the United Kingdom can move in this field must remain our responsibility and what we are able to do must depend on the circumstances from time to time, some of which are not under our control. It will be agreed that when a relaxation is made, we must feel confident of being able to maintain it. Therefore, we cannot enter into any fixed timetable.

"But I am glad to say that we now see our way to taking a further significant step forward. We have decided to take action under four heads:

(a) "We propose to make almost a clean sweep of the controls on dollar imports of industrial, agricultural and office machinery. Only a limited range of comparatively specialized machinery will remain subject to control.

(b) "Canned salmon will be wholly freed from import control, with the exception of salmon from the Soviet bloc.

(c) "We shall formally free newsprint from control.

(d) "Colonial Governments are being invited to make relaxations of their restrictions on a wide range of dollar goods.

"This we are doing at once, and then we shall have reached the stage when almost all materials, basic foodstuffs and 'tools of trade' will be free.

"The next move will be to make a start in freeing our imports of consumer goods and the remaining foodstuffs. Exactly what we shall be able to do and when will depend on certain well-known conditions. I have in mind the need to be sure both that world trade is expanding and that we are free from inflation at home.

"But broadly speaking, this is what we would propose to do. All being well we hope to make a start next year. First, we should remove the controls on as wide a range of consumer goods and foodstuffs as we could. Secondly, we should establish, or increase quotas for items where, in our judgment, the cost of total liberalization might be greater than we could afford at that time. The next stage would be progressively to increase these quotas until the items were completely free. Thirdly, there would remain a limited number of items presenting special difficulties. Each of these would be considered over a period of time on merits."

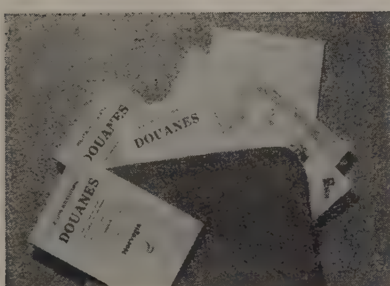
Hon. Gordon Churchill, Canadian Minister of Trade and Commerce, made the following statement following Sir David Eccles' announcement of the removal of United Kingdom restrictions on imports from the dollar area:

"The United Kingdom has made effective the removal of import restrictions on canned salmon, newsprint and machinery which was announced by Sir David Eccles

The complete reopening of the United Kingdom market for these important Canadian exports is of great value and we look to a significant expansion of our trade in these fields in the long run.

"I wish to comment particularly on the extensive list of products covered under the heading of machinery as announced today by the United Kingdom. The list of machinery items is over five pages long and includes several hundred separate types of products. I am very pleased to see that these go beyond what may strictly be defined as machinery and extend to a number of component parts and certain related products for use in industry, such as abrasive cloths and papers. Canadian firms who have for many years been anxious to obtain freer access to the United Kingdom market in such items as hand tools generally, industrial oil burners, agricultural implements, outboard motors, electrical equipment, office machinery and portable power tools will particularly welcome the removal of these restrictions.

"I am hopeful that our exporters will do everything possible to take full advantage of the new trading opportunities that have now been opened to them. The Department of Trade and Commerce has circulated to Canadian trade associations and industries the complete list of the machinery items freed from control."



Trade and Tariff Regulations

Iraq

NEW IMPORT POLICY FOR DOLLAR AREA—The recent revision of the list of goods which may be imported from the sterling and hard currency areas was one of the results of the change in government which took place in Iraq on July 14. The Director General of Imports issued a new list of articles which may be imported during the remaining part of 1958 from the soft and hard currency areas. The allocations granted for these specified goods have not been indicated, but each application from the importer will be examined by the Department of Trade on its individual merits.

In so far as essential items are concerned, the following may be imported from the dollar area:

> Drugs; medical equipment; milk, children's foods; constructional and health equipment; electrical appliances; all kinds of machinery, motors, their accessories and spare parts; statistical and measuring machines; typewriters; vehicles, except motorcycles and bicycles; spare parts for cars and bicycles; tires; batteries; brake oils; grease; garage equipment; books and magazines; stationery; nails and screws; timber; glass; spectacles; factory requirements; government and semi-official demands; commercial samples; demands from the diplomatic corps; demands from oil companies; demands from various professions, such as physicians and engineers, as well as charitable and religious societies; metal sheets; demands from banks and newspapers.

New Zealand

JAPANESE TRADE AGREEMENT—A three-year trade agreement between the New Zealand and Japanese Governments was signed in Wellington on September 9, 1958.

In the agreement, both Governments undertake that each will accord to the other unconditional most-favoured-nation tariff treatment with respect to customs duties, all other taxes payable on imports and exports, import licensing and the allocation of foreign exchange.

The domestic industries of both countries are safeguarded by a clause in the agreement which provides for consultation and, if necessary, immediate action by either country in the event that a domestic industry is seriously threatened or damaged by excessive imports. Provision is also made for the termination of the whole agreement should no mutually satisfactory solution be reached after consultation under the safeguarding clause. New Zealand has also undertaken to discuss with Japan within three years the tariff conditions under which the General Agreement on Tariffs and Trade might apply between the two countries.

Japan has advised New Zealand that she will have the right to compete for 90 per cent of Japan's annual imports of wool and for the total foreign exchange allocation for meat, butter, cheese, skim milk powder, buttermilk powder, and other dairy products. Japan has also informed New Zealand that she could expect to export about 10,000 tons of meat annually to Japan and to secure about 50 per cent of the Japanese market for casein.

Japan has also agreed not to increase the present level of duty on meat imports from New Zealand during the next three years and to continue until July 5, 1960, the present duty-free entry of New Zealand wool.

South Africa

REPRESENTATIONS RESPECTING THE TARIFF—The South African Board of Trade and Industries recently received the following representations respecting the tariff:

Increase in duty on:

1. The following aluminum and aluminum alloy products from free of duty (except where otherwise indicated) to 15 per cent ad valorem:
   - A. Sheet—aluminum and aluminum alloy sheet containing more than 97.5 per cent aluminum in the following forms:
     - (a) flat sheets up to and including 64 inch width and ⅛ inch thickness,
     - (b) roofing and siding sheets in corrugated or other formed configuration up to and including 30 inch width and 12 foot length in all thicknesses,
     - (c) coiled sheet up to and including 33 inch width and ⅛ inch thickness to be used for all other purposes than re-rolling to foil (usually known as "foilstock"),
     - (d) sheet circles up to and including 48 inch diameter and ¼ inch thickness.
   - B. Foil—aluminum foil (less than 0.006 inches thick) in the following forms:
     - (a) foil in coils, circles or rectangles, either plain, plain lacquered or colour lacquered, and
     - (b) foil laminated to paper in coils, circles or rectangles, either plain, plain lacquered or colour lacquered (present rate of duty is 10 per cent and 20 per cent ad valorem).
   - C. Extruded sections and tubing—aluminum and aluminum alloy extruded sections and tubing in the following forms:
     - (a) solid extruded sections and bar up to and including 9⅝ inch width,
     - (b) hollow extruded sections up to and including 6 inch width,
     - (c) extruded rod up to and including 6 inch diameter, and
     - (d) tubing between ½ inch and 5 inch outside diameter, both figures inclusive.

Canadian firms exporting these goods to South Africa may wish to have their views on these tariff inquiries placed before the Tariff Board. The most effective method of doing so is for the Canadian exporter to have his South African agents act on his behalf before the Board. Action should be taken as soon as possible because tariff inquiries normally begin in South Africa soon after the announcements are made.

United States

TRADE AGREEMENTS ACT RENEWED—The United States has renewed its trade agreements program for another four years, with the signing of the Trade Agreements Extension Act of 1958. This year's extension provides that the President may enter into trade agreements with other countries at any time up to June 30, 1962, and, although the agreements must be negotiated before that date, any tariff reductions resulting from such agreements can also be scheduled over the four years following that date.

In order to obtain reciprocal tariff agreements, the President is authorized to reduce U.S. tariffs existing on July 1, 1958, by any of the following methods: (a) by 20 per cent of those rates provided no yearly reduction exceeds 10 per cent, (b) by two percentage points, and (c) to 50 per cent ad valorem, or its equivalent, if the present rate exceeds that figure.

In addition to the power to decrease tariffs, the President was given authority to increase tariffs up to 50 per cent of the rate which existed on July 1, 1934. In the case of articles dutiable on a specific rather than an ad valorem basis, the President is authorized to convert specific rates to their ad valorem equivalents at the 1934 level before the 50 per cent increase is applied. Normally, tariff increases result from "escape clause" investigations. The escape clause of the Trade Agreements Act provides that the Tariff Commission may recommend to the President the withdrawal or modification of a tariff concession when it finds that a product on which a concession has been made is, as a result, either in whole or in part, being imported in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products. Under this year's legislation the time the Tariff Commission is permitted for such investigations is cut from nine months to six months.

Another amendment to the escape clause provisions this year authorizes the President to impose duties up to 50 per cent ad valorem on articles described in the free list, a power which was formerly reserved solely to Congress.

In addition to delegating further tariff-increasing authority, Congress also specified in the Act that, should the President decline to accept a Tariff Commission recommendation for increased rates, he can be overruled by a two-thirds vote of both Houses of Congress.

The peril point provisions of the legislation have lso been amended. These provisions require that the Tariff Commission report to the President before he concludes a trade agreement with another country on he extent to which new tariff concessions may be nade without causing or threatening injury to domes-ic producers. The period allowed the Tariff Com-nission for this investigation has now been increased from 120 days to six months and, if such investi-gation reveals an existing rate to be too low, the Tariff Commission may institute an escape clause nvestigation.

In a recent re-enactment of the legislation a clause, known as the national security amendment, was inserted to ensure that imports of an article would be not so great as to threaten to impair the national security. The grounds for determining whether an industry is essential to the national security have been broadened to include the close relationship of the economic welfare of the nation o its national security. The Office of Defense and Civilian Mobilization is the agency responsible for he administration of this provision, and the Presi-lent has full discretion to accept or reject the findings of this agency in applications for import relief under he national security provisions.

LEAD AND ZINC QUOTAS—The President has an-nounced that, effective October 1, 1958, restrictions will be imposed on the quantities of lead and zinc ores and metals permitted entry for consumption into he United States. The following are the quotas in any three-month period beginning October 1, 1958, and the allocations to supplier countries.

U.S. Tariff Paragraph		Dutiable Lead Content (short tons)
391	Lead-bearing ores, flue dust, and mattes of all kinds. (Present duty is $\frac{3}{4}$¢ per lb. on lead content.):	
	Canada	6,720
	Peru	8,080
	South Africa	7,440
	Australia	5,040
	Bolivia	2,520
	All other foreign countries	3,280
392	Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, babbitt metal, solder, all alloys or combinations of lead not specially provided for (except babbit metal and solder). (Present duty is 1-1/16¢ per lb. on lead content.):	
	Canada	7,960
	Mexico	18,440
	Australia	11,840
	Yugoslavia	7,880
	Peru	6,440
	All other foreign countries	3,040

U.S. Tariff Paragraph		Dutiable Zinc Content (short tons)
393	Zinc-bearing ores of all kinds, except pyrites, containing not over 3 per cent of zinc. (Present duty is 6/10¢ per lb. on zinc content.):	
	Canada	33,240
	Mexico	35,240
	Peru	17,560
	All other foreign countries	8,920
394	Zinc in blocks, pigs, or slabs, and zinc dust (except zinc dust) (present duty 7/10¢ per lb.) and Zinc, old and worn-out, fit only to be re-manufactured, zinc dross, and zinc skimmings (present duty $\frac{3}{4}$¢ per lb.):	
	Canada	18,920
	Belgium and Luxembourg	3,760
	Mexico	3,160
	Belgian Congo	2,720
	Peru	1,880
	Italy	1,800
	All other foreign countries	3,040

The above quotas represent 80 per cent of the average net imports into the United States during the five-year base period 1953-57.

Data for Exporters

The International Trade Relations Branch of the Department of Trade and Commerce has prepared bulletins covering shipping documents and customs regulations of the following countries: Australia, Austria, Belgian Congo, Belgium, Brazil, Chile, Cuba, Denmark, Dominican Republic, East Africa, Egypt, Finland, France, West Germany, Ghana, Greece, Guatemala, Haiti, Indonesia, Israel, Italy, Mauritius, Mexico, Netherlands Antilles, New Zealand, Nicaragua, Norway, Panama, Peru, Portugal, Spain, Surinam, Sweden, Switzerland, United States, and Venezuela. The United Kingdom certificate of origin requirements and other conditions under which Imperial Preference is granted are covered by Notice No. 27 A issued by the United Kingdom Commissioner of Customs and Excise.

Other pamphlets issued by the Branch include "Requirements for Shipping Documents in Europe and Latin America" and "Import Control Regulations and Tariff Treatment of Canadian Goods", both brief summaries in tabular form, and an outline of "Tariff Preferences for Canadian Goods Abroad." For copies of any of these pamphlets, readers should write directly to the Branch. Data on other countries will be compiled from time to time and they will be added to the list.

The following nominal quotations may prove useful in checking prices. Canadian traders should consult their banks before making any firm commitments.

Conversions into Canadian dollar equivalent and units of foreign currency per Canadian dollar have been made at cross rates with sterling or the United States dollar on the date shown.

Except when buying and selling rates are specified, the mid rates only are quoted. The buying rate is that at which the banks purchase exchange from exporters. The selling rate is that at which banks sell exchange to importers.

When several rates are indicated, the rate applicable depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

Rates used exclusively in non-merchandise trading are *not* included in the table.

For conversion to United States dollar equivalent multiply by 1.0243277.

foreign exchange rates

Country	Unit	Type of Exchange	Can. dollar equivalent September 29	Units per Canadian dollar	Notes (see below)
Argentina	Peso	Official	.05424	18.44	(1)
		Free	.01860	53.76	
Austria	Schilling		.03755	26.63	
Australia	Pound		2.1920	.4562	
Bahamas	Pound		2.7400	.3650	
Belgium, Belgian Empire and Luxembourg	Franc		.01959	51.05	
Bermuda	Pound		2.7400	.3650	
Bolivia	Boliviano	Free	.0001099	9099.18	Sept. 2
British Guiana	Dollar		.5708	1.75	
British Honduras	Dollar		.6850	1.46	
Brazil	Cruzeiro	General Category*	.004675	213.90	*Sept. 10 (2)
		Special Category	.002503	399.56	
		Official buying	.05316	18.81	
Burma	Kyat		.2050	4.88	
Ceylon	Rupee		.2055	4.87	
Chile	Peso	Free	.001256	796.18	(3)
Colombia	Peso	Certificate	.1521	6.57	
Costa Rica	Colon	Official	.1739	5.75	
		Controlled free	.1471	6.80	
Cuba	Peso		.9763	1.02428	tax 2%
Czechoslovakia	Koruna		.1356	7.37	
Denmark	Krone		.1413	7.08	
Dominican Republic	Peso		.9763	1.02428	
Ecuador	Sucre	Official	.06509	15.36	
		Free	.05790	17.27	
Egyptian Region, United Arab Rep.	Pound	Official	2.8034	.3567	
		Export acct. selling	2.2475	.4449	
El Salvador	Colon		.3905	2.56	
Fiji	Pound		2.4685	.4051	
Finland	Markka		.003051	327.76	
France, Monaco and North Africa	Franc		.002329	429.37	(4)
French colonies in Africa	Franc		.004658	214.68	(5)
French Pacific	Franc		.01281	78.06	(6)
Germany	D Mark		.2332	4.29	
Ghana	Pound		2.7400	.3650	
Greece	Drachma		.03254	30.73	
Guatemala	Quetzal		.9763	1.02428	
Haiti	Gourde		.1953	5.12	
Honduras	Lempira		.4881	2.05	
Hong Kong	Dollar	Free	.1675	5.97	*Sept.
		Official	.1713	5.84	
Iceland	Krona	Official	.05995	16.68	(7)
India	Rupee		.2055	4.87	
Indonesia	Rupiah	Effective buying	.03224	31.02	*Sept. 5 (7)
		Effective selling	.02579	38.77	
Iran	Rial	Certificate	.01289	77.59	

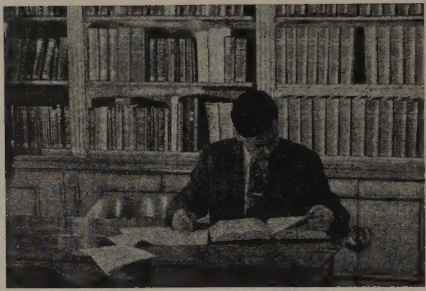
*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent September 29	Units per Canadian dollar	Notes (see below)
Iraq	Dinar		2.7335	.3655	
Ireland	Pound		2.7400	.3650	
Israel	Pound		.5424	1.84	
Italy	Lira		.001567	638.16	
Japan	Yen		.002712	368.73	
Lebanon	Pound	Free	.3170	3.26	
Mexico	Peso		.07810	12.80	
Netherlands	Florin		.2585	3.87	
Netherlands Antilles	Florin		.5209	1.92	
New Zealand	Pound		2.7400	.3650	
Nicaragua	Cordoba	Effective buying	.1479	6.76	
		Official selling	.1385	7.22	
Norway	Krone		.1367	7.32	
Pakistan	Rupee		.2055	4.87	
Panama	Balboa		.9763	1.02	
Paraguay	Guarani	Official	.008920	112.11	
Peru	Sol	Certificate	.04073	24.55	
Philippines	Peso		.4881	2.05	
Portugal & Colonies	Escudo		.03407	29.35	(8)
Singapore and Malaya	Straits dollar		.3197	3.13	
Spain and Dependencies	Peseta	Controlled free	.02324	43.03	(7)
Sweden	Krona		.1887	5.30	
Switzerland	Franc		.2278	4.39	
Syrian Region United Arab Rep.	Pound	Free	.2725	3.67	
Thailand	Baht	Free	.04676	21.39	(7)
Turkey	Lira		.1085	9.22	
Union of South Africa	Pound		2.7400	.3650	
United Kingdom	Pound		2.7400	.3650	
United States	Dollar		.97625	1.0243277	
Uruguay	Peso	Free	.1245	8.03	
		Basic buying	.6410	1.56	(7)
		Principal selling	.4651	2.15	
Venezuela	Bolivar		.2914	3.43	
West Indies Fed.	Dollar		.5708	1.75	(9)
	Pound		2.7400	.3650	(10)
Yugoslavia	Dinar		.003254	307.31	(7)

*Latest available quotation date.

notes

1. Argentina: additional rates result from exchange retentions on export proceeds and surcharges on imports.
2. Brazil: exporters receive cruzeiros at official rate plus exchange premiums ranging from 18.70 to 48.64 cruzeiros per U.S. dollar, depending on product.
3. Chile: free rate applies to exports and to imports, except prohibited imports. Chilean importers must deposit local currency in amounts ranging from 5 to 200 per cent, depending on product, prior to shipment of goods.
4. France: territory includes Algeria, Tunisia, Morocco, Guiana, Guadeloupe, Martinique.
5. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
6. New Caledonia, New Hebrides, Oceania.
7. Additional rates are in effect.
8. Portugal: approximately same rate for Portuguese territories in Africa.
9. Barbados, Trinidad, Tobago, Leeward and Windward Islands.
10. Jamaica.



Businessman's Bookshelf

Ireland

Office of the Commercial Counsellor, Dublin. 24 pages. Free.

LAST year Ireland, the subject of the third in the Department's Market Information Series, bought $10 million worth of Canadian goods. This $10 million represents only 2½ per cent of its imports, even though Canada enjoys a preference in this market shared only by the U.K. Its major imports include many of Canada's chief exports, such as forest products, wheat and fertilizers.

This condensed and readable booklet provides the would-be exporter with the facts at a glance. Information on Ireland's production, trade in general and with Canada in particular, is provided and the import licensing situation explained. The section on visits to Ireland also gives a good briefing. Altogether, this attractive combination of facts and illustrations serves as an introduction and guide to a potential market not yet fully explored by Canadian businessmen.

Order from: Trade Publicity Branch, Department of Trade and Commerce, Ottawa.

Canadian Monetary, Banking and Fiscal Development

By R. Craig McIvor. 263 pages. $4.75.

PROFESSOR McIvor's book appears at a time when monetary and fiscal policy has attained a prominent place in the thinking of many Canadians. His study traces the development of money and central banking in Canada from the early monetary difficulties of New France to the formation of the Bank of Canada. Furthermore, the discussion is not limited to the development of the more "orthodox" institutions in this field but includes the experimentation in what he calls "crank" monetary schemes as well, and their relationship to agrarian economic problems. On the policy side, emphasis is placed on the period from the mid-1930's to the present; this enables the author to present government action during three distinct periods—depression, war and inflation.

This book is not merely a chronology of statutes and events, but rather an exhaustive analysis of contemporary monetary and fiscal tools placed in a Canadian historical framework. These techniques and their weaknesses, however, apply to other mature western economies as well. The early Canadian experiences may be of interest to those directly concerned with present-day problems in underdeveloped countries.

The layman possessing a minimum of formal economic training will find this book informative. It is concise, written in a readable fashion, and not overburdened with complex theoretical problems. The professional economist will discover in it a wealth of material which, up to the present, was not readily available. It is extremely well documented and demonstrates the author's knowledge of this area of contemporary economic theory.

Published by: Macmillan Company of Canada, Toronto, Ontario.

Directory of the French Plastics Industry

Union des syndicats de la transformation des matières plastiques. 114 pages. Free.

THE sixth edition of *Plastiques* provides a complete and carefully indexed directory of the French plastics industry. Written in French, it is well organized and could be used with only a slight reading knowledge of the language.

A complete list of the plastics products manufactured or sold in France is classified in sectors and listed alphabetically. The names and addresses of the manufacturers or sellers of each product are given. Firms that only merchandise are distinguished from those that manufacture and sell their own products. The names of other French publications which feature plastics are listed by the nature of their coverage.

This directory should be of value to the Canadian manufacturer of primary plastics and is a must for the importer of moulded plastics.

Order from: Union des syndicats de la transformation des matières plastiques, 3 rue Copernic, Paris 16e, France.

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